



BOARD OF DIRECTORS MEETING

**Thursday, March 21, 2024
6:30pm**

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

(Two Members of the Board will participate in this meeting by Teleconference. Locales shall be:

- Los Angeles Marriott Burbank Airport, Vine Rm, 2500 N Hollywood Way, Burbank, CA 91505;*
- 4510 Hazelton Street, Houston, TX 77035*

When any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Chambers)	
2. Comments by the Chair	(Chambers)	
3. Board Policy Committee Report (<i>Attachment</i>)	(Hardy)	<i>Pg 3</i>
4. SFPUC Report	(Ritchie)	
A. Water Supply Conditions		
B. 10-Year CIP		
5. Consent Calendar (<i>Attachments</i>)	(Chambers)	
A. Approve Minutes of the January 18, 2024 Meeting		<i>Pg 19</i>
B. Receive and File Budget Status Report – As of January 31, 2024		<i>Pg 27</i>
C. Receive and File Investment Report – As of January 31, 2024		<i>Pg 29</i>
D. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of December 31, 2023		<i>Pg 31</i>
E. Authorization of Professional Services Contract to Support the Preparation of the 2021-2023 Drought Report (<i>Attachment</i>)		<i>Pg 33</i>
<i>The Committee voted unanimously to recommend the proposed Board action.</i>		
6. Public Comments	(Chambers)	
<i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>		
7. Reports and Discussions		
A. Preliminary Fiscal Year 2024-25 Work Plan, Results to be Achieved and Operating Budget (<i>Attachment</i>)	(Sandkulla)	<i>Pg 37</i>
B. BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy 2050) (<i>Attachment</i>)	(Ashoori)	<i>Pg 73</i>

- 8. CEO Reports** (Sandkulla)
- A. New Tier 2 Plan Update (*Attachment*) Pg 75
 - B. Bay Delta Plan/FERC Update
 - C. CEO Letter (*Attachment*) Pg 77
 - D. Board of Directors Policy Calendar (*Attachment*) Pg 81
 - E. Correspondence Packet ([Under Separate Cover](#))
- 9. Closed Session** (Schutte)
- A. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002.**
 - B. Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 State Water Board Cases (Sacramento County Superior Court Case No. 5013).**
- 10. Report from Closed Session** (Schutte)
- 11. Directors’ Discussion: Comments, Questions and Agenda Requests** (Chambers)
- 12. Date, Time and Location of Future Meetings** (Chambers) Pg 83
(See attached schedule of meetings)
- 13. Adjourn to next meeting scheduled for May 16, 2024 at 6:30pm** (Chambers)

Accessibility for Individuals with Disabilities

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MEMORANDUM

TO: BAWSCA Board Members
FROM: Nicole Sandkulla, Chief Executive Officer/General Manager
DATE: March 21, 2024
SUBJECT: Summary of Board Policy Committee meeting held February 14, 2024

1. **Call to Order:** Committee Chair, Karen Hardy, called the meeting to order at 1:33pm. CEO/General Manager, Nicole Sandkulla called the roll. Seven members (7) of the Committee were present at roll call. One member arrived after roll call, and one member joined 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, and announced the appointment of Darin Duncan as a new member of the BAWSCA Board. He will replace Tom Smegal's seat on the Committee.

Chair Hardy regretfully announced Bud Wendell's passing on February 11th.

Ms. Sandkulla noted Mr. Wendell's involvement with the member agencies through BAWSCA's predecessor agency, BAWUA, and stated that his strategic counsel was always centered on the needs and best interests of the water customers of the BAWSCA region to ensure a reliable supply of high quality water at a fair price. The importance of keeping a focus on the water customers is his legacy to BAWSCA.

Chair Hardy reported that staff is continuing to work on fine-tuning BAWSCA's ability to livestream meetings with the hopes to roll it out at the Committee's next meeting in April.

Lastly, Closed Session Item #8 on the agenda will be pulled as there are no significant developments since the last report.

3. **Consent Calendar:**

Director Doerr made a motion, seconded by Director Zigterman, that the Committee approve the Minutes of the December 13, 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: Public comments were provided by Spreck Rosekrans, Restore Hetch Hetchy.

5. Action Calendar:

A. Authorization of Professional Services Contract to Support the Preparation of the 2021 – 2023 Drought Report: Water Resources Manager, Tom Francis reported that the item is being brought to the Committee for recommendation to the full Board at the March meeting. The recommendation is to authorize a professional services contract to support the preparation of the FY 2021 – 23 Drought Report.

BAWSCA is currently negotiating an agreement with the selected consultant, EKI. Work is anticipated to begin in April 2024 for completion in Fall 2024.

The report will be similar to the 2014-2017 Drought Report, but expanded to include new data gathered to document how experiences during the drought of 2014-17 worked to inform agency actions taken during this most recent drought. Key tasks in the development of the report are broken into 2 Phases.

Phase 1 includes 3 tasks: documentation, record collection and data assessment; stakeholder engagement; and review of whether recommendations provided in the 2014-2017 Drought Report were implemented.

Mr. Francis explained that the task of record collection and data review entails documenting actions taken, such as the Governor's executive orders issued as well as the various actions taken by each member agencies, including the SFPUC and Valley Water. Those actions varied depending on the degree of drought severity the agencies were experiencing over time as the drought continued.

The task of engaging stakeholders will involve data collection from member agencies as well as feedback on what member agencies want as report contents.

Task 3 is looking at what recommendations from the 2014-17 Drought Report were implemented in the 2021-23 drought period, to document and summarize activities and determine if lessons learned from the 2014-2017 drought experience influenced agency response to the 2021-2023 drought period.

Phase 2 includes the task of analyzing the effectiveness of drought response measures (DRM) executed during the 2021-23 drought period. With the technological advancements made by agencies in the use of automated metering infrastructure (AMI) and implementation of various water use tracking tools, BAWSCA and the consultants expect to be able to evaluate and document how effective certain measures were.

Specifically, the effectiveness analysis will look at the various water use reduction measures that were implemented and their direct impact. The measures vary from a simple call for customers to reduce water use to deploying an extensive advertising campaign. The analysis will look at regional and local measures such as outdoor water curtailments, as well as unique measures particular agencies took. The goal of this task is to identify how effective various measures were. Demographics, geographic, and socio-economic profiles will also be analyzed to see if they were factors to the measures' effectiveness.

Compilation of findings and recommendations will be presented in a final report. That report will help assist BAWSCA and the member agencies in planning for how to implement DRMs during future droughts.

Phase 1 has a Board approved funding allocation from the FY 2023-24 budget of \$35K. The required funds of \$100K for Phase 2 will be included in the proposed FY 2024-25 budget.

Director Hardy expressed appreciation for the effort and commented that the report would serve as a tool for the Board to make data driven decisions.

In looking at BAWSCA's efforts from a broader perspective than just water, Director Shneider asked if this will look at conservation efforts that may have made the region weaker to other environmental dangers such as wildfires, and will agencies be asked about their future plans for drought or associated risk management.

Mr. Francis stated that the scope is to look at what measures had a direct impact on water use reductions during this recent drought, documenting what measures and actions were taken. It is to serve as a tool for agencies in helping plan for future droughts, but the scope of work does not propose to expand beyond that purpose.

Director Schneider suggested an effort, if funding would allow, to provide recommendations of what measures would be the most cost effective for the future.

Ms. Sandkulla added that most of the member agencies, with a few exceptions, adopt an Urban Water Management Plan (UWMP) every five years. The next one is due in 2025. In an UWMP, the agencies must perform an analysis to identify drought response measures in advance of a drought. The Drought Report will be available to member agencies and can facilitate those conversations in preparation for the UWMP. The agency appointed Water Management Representatives (WMR) have previously expressed their strong interest in having commonality across the region on the drought response measures. Ms. Sandkulla expects the agencies will have further discussions given that both the 2014-17 drought and the 2021-23 drought are both fresh in their minds.

Director Schneider added that Millbrae is working on a plan for its East side, which floods, to create retention ponds that can help San Bruno's groundwater recharge. This is a fix to a flooding problem that also has the potential to provide a groundwater benefit to agencies adjacent to Millbrae that rely on groundwater supplies to meet a portion of their water needs.

Director Doerr asked if the term negotiate with the selected consultant refers to negotiations of the total amount; whether there were efforts given to reducing the \$135k costs; and what ideas the team might have on how to decouple drought measures that may have been enacted concurrently, such that their specific water use reduction response could be identified.

Mr. Francis stated that the word "negotiate" in the staff report and recommendation pertains to negotiations of contractual elements such as indemnification and issues that require legal support. The cost of \$135K is based on the scope of work the selected consultant proposed and was deemed appropriate for the services provided. The consultant proposed an optional task that BAWSCA was evaluating on its merit for inclusion.

As for decoupling water use reduction results from concurrently implemented conservation measures, Mr. Francis stated that BAWSCA will work with the selected consultant to perform that type of analysis. A general opinion by industry experts is that AMI is a data rich resource which can be used for decoupling purposes. Since several BAWSCA member agencies

utilize AMI, he is optimistic that decoupling is possible. EKI's experience with decoupling measures for other agencies will support BAWSCA in undertaking that aspect of the work.

Director Doerr hopes that the report and its findings can be shared and help shape policies with member agencies and the State Water Board itself.

Ms. Sandkulla stated that BAWSCA has been successful in using its reports, including the 2017 Drought Report, as an information source for presentations to external stakeholder groups and at technical conferences. Since BAWSCA is a regional agency with 26 members, external groups look to BAWSCA because it has a rich and diverse set of agencies that provide a lot of valuable information. The report this work will produce is something member agencies and neighboring agencies are excited about referencing when it is completed. Ms. Sandkulla is looking forward to tracking how the information takes shape.

Director Zigterman asked how many proposals were received and what expectation does the consultant have of the member agencies for collecting the data.

Mr. Francis reported that there were three proposals received and that BAWSCA will support the consultants in collecting data from member agencies.

Ms. Sandkulla added that many of the member agencies with AMI data are looking forward to having their information evaluated, and that they see the data collection as an opportunity to pull their numbers for EKI to analyze. It speaks to the value that the member agencies put in on the last drought report, and on how much that report is referenced by the member agencies. The WMR's have indicated that they support the preparation of this report, and view the task of providing data as worthwhile and necessary for the success of the work.

Director Ragsdale asked why Valley Water seems to only be a part of the selection panel for the consultant as opposed to being included in the report as they were in 2017.

Mr. Francis explained that there are eight member agencies that rely on Valley Water for part of their supply. This proposed report will continue to include documentation of Valley Water's drought response actions. During the 2014-17 Drought, Governor Brown imposed a water use reduction requirement across the State, and therefore, the drought response measures Valley Water required of their customers were documented as part of the report. Valley Water's actions during the 2021-23 drought period will be included in the report because they impacted those BAWSCA member agencies that rely on valley Water for a portion of their water supply.

Director Duncan suggested looking at the SFPUC's conjunctive use program to see its impact on groundwater basin storage, especially if there are other conjunctive use programs in the region.

Ms. Sandkulla stated that SFPUC has one conjunctive use program within the BAWSCA service area, and that the proposed report will document the actions that were taken that, in turn, impacted the basin, and in particular how those actions impacted groundwater basin storage levels. She emphasized that the report intends to document the impacts of the collective responses by the member agencies during the drought period.

Director Chambers noted that agencies have different levels of AMI implementation, and that having the 2017 Drought Report available on the BAWSCA website is helpful for Directors' reference, in particular the presentation graphics included in the report

In response to Director Chambers, Mr. Francis stated that EKI completed the 2017 Drought Report, and the proposed report will include presentation graphics similar to the format included in the 2014-17 report.

Director Pierce hopes that report will evaluate the effectiveness of outreach efforts to the water customers as she is interested in learning how the messaging, particularly targeted messaging, influenced customer water-saving behavior.

Director Doerr inquired if as part of the effectiveness review, the work will include an evaluating of outreach performed by the State of California during the recent drought.

Ms. Sandkulla reported that the State did research on message effectiveness following the 2014-17 drought, and that the SFPUC conducted a study in 2007 following its Water Saving Hero campaign. She noted that a challenge that the SFPUC had in their work was in identifying the difference between the response drivers for SFPUC's retail customers and their wholesale customers.

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

Director Pierce made a motion, seconded by Director Schneider, that the Committee recommend Board approval.

The motion passed unanimously by roll call vote.

6. Reports and Discussions:

- A. Preliminary FY 2024-25 Work Plan and Results to be Achieved: At the beginning of this item, Director Hardy noted that the Committee reports to the full Board, and as a small group, it is critical that the committee have thorough discussion of the proposed FY 2024-25 Work Plan in order to make good recommendations to the Board.

Ms. Sandkulla referred to the tables attached to the staff report: Table 1 presents the draft preliminary FY 2024-25 Work Plan items which align with BAWSCA's legislated authority and three goals to ensure a reliable supply of high-quality water at a fair price. Table 2 presents the activities not included in the Work Plan. Ms. Sandkulla noted that Table 2 is a critical piece to the Work Plan as it clearly defines what efforts are not included in the fiscal year's efforts.

The preliminary Work Plan addresses the critical issues identified between now and 2065. It includes additional program activities and staff time to initiate the development of BAWSCA's Strategy 2050, and the development of an updated Regional Water Demand Projections. It also includes the continuation of previously approved multi-year projects, including the preparation of the 2021-23 Drought Summary Report, supporting member agencies with their water use efficiency compliance as required by the State's Commercial, Industrial, Institutional (CII) performance measure requirements, and facilitating the negotiation and adoption of an updated Tier 2 Plan.

The preliminary Work Plan reflects the Board's input from the January Budget Planning session, including the comment made by, at the time, a member of the public who was appointed to the BAWSCA Board effective January 23, 2024. Table 4 of the staff report provides responses to those comments.

In response to the Board's request for information about staff loading, Chart 1 of the preliminary Work Plan provides new information. There is also additional data that is presented in Table 3, which provides the estimated staff hours and full-time equivalent (FTE) in accordance with the preliminary Work Plan items for FY 2024-25. While the data in Table 3

has not been provided to the Board in the past, it is data from staff analysis that is done every year as part of the Work Plan preparation.

Ms. Sandkulla explained that an approach to developing the Work Plan since before BAWSCA succeeded its predecessor organization, BAWUA, is identifying the resources needed for each Work Plan item to achieve results on a staff-by-staff basis including consultants. It is a critical step that, while it is not perfect, is an effective attempt to allocate the resources of 9 staff members. In the past, this process has also been the way to identify the need for additional staff.

Ms. Sandkulla appreciates the question from the Board about staff hours, and hopes that the additional information is helpful.

As done every year, the Work Plan is broken down into categories: reliable water supply, high quality water, fair price, and agency effectiveness. Each category has specific areas that make up the Work Plan. Ms. Sandkulla presented each area and highlighted the major efforts that are critical to preliminary FY 2024-25 Work Plan

Reliable Water Supply

Facility Reliability is the first area under Reliable Water Supply, in which BAWSCA monitors SFPUC's Water System Improvement Program (WSIP), capital plan, and asset management program, and facilitates member agencies' engagement with San Francisco on emergency response matters, and all critical things to assure that the regional water system is built and maintained to be reliable for San Francisco to meet its contractual obligations to the wholesale customers.

Ms. Sandkulla pointed out the addition of an effort in FY 2024-25 to extend the necessary State oversight of SFPUC's WSIP through the program's completion. The WSIP legislation (AB 1823) passed in 2002 had a sunset clause on the requirement for San Francisco to provide an annual report to the State on the completion of the program, and on any changes to the WSIP. The state oversight is currently scheduled to sunset on December 31, 2025, a date the precedes WSIP's completion.

It is critical for BAWSCA to seek a legislative amendment to continue the state's oversight of the SFPUC through the planned scheduled completion of the WSIP. BAWSCA has successfully sought extension of the oversight three times in the past.

Long-Term Supply Solutions is the second area under Reliable Water Supply, in which recommendations from the current Strategy are implemented. A significant task in this area for 2024-25 is initiating the development of Strategy 2050. Critical efforts related to long-term water supply planning include development of an updated regional water demand projections, engagement with PureWater Peninsula potable reuse project, support for agencies developing their local water supply options, and BAWSCA's reliability model for member agencies' use, as well as to evaluate Bay Delta Plan/VA impacts.

Ms. Sandkulla noted that BAWSCA's water resources team is the staff resource for Strategy 2050 as well as for the Tier 2 and Demand Projections efforts. Based on the staff analysis, this clearly presents limitations from a perspective of available staff time, and therefore the preliminary Work Plan recommends that work on Strategy 2050 begins in January 2025, or

six months into FY 2024-25. This would balance the work within the staffing resources, and assumes that Tier 2 is completed and adopted by the end of 2024.

An alternative funding source that will be recommended for Strategy 2050 is the Water Management Charge (WMC). The Water Supply Agreement (WSA) between the agencies and San Francisco provides the SFPUC the ability to include a charge in the water bills sent to wholesale customers as authorized by the BAWSCA Board. The WMC can be used to support conservation, recycling, and development of alternative water supplies.

The WMC funded the 2015 Strategy and proved to be a successful funding source for a project with a large dollar amount and a multi-year span for completion. It created an independent funding stream that was very clear to the agencies and supported by the agencies.

When the Board is presented with the recommendation for the consultant contract for Strategy 2050, it will include a recommended action and use of the WMC for funding the work.

The development of an updated Regional Water Demand Projections (2025 Demand Study) will be initiated in FY 2024-25. Since 2002, BAWSCA has coordinated the regional water demand and conservation projections in support of the original Program Environmental Impact Report (PEIR) for the WSIP. The demand projections are generally done every 5 years but the most recent demand projections were completed in 2022 to further evaluate the impacts the pandemic had on demands. The recent study has a 2045 planning period.

Demand projections are done to support member agencies' Urban Water Management Plans (UWMP) and it is the UWMP that drives the timing of the demand projections. It will also support Strategy 2050 as well as other regional planning efforts, including SFPUC's long-term planning. The benefit of having a coordinated regional demand projections that has a robust, sound, and unified platform that can be relied upon, has been proven, since 2002, to be an effective way to do demand projections for the BAWSCA region. A sensitivity analysis was a successful addition to the 2022 demand projections and will be included in the 2025 Demand Study.

The consultant selection process has been initiated and staff anticipates presenting the recommended contract to the Board at its May meeting. The effort will take approximately 18 months to complete and work will be performed in FY 2024-25 and in FY 2025-26. Responses to the RFP have yet to be received, but based on previous numbers, a ballpark estimate cost is \$400K for the portion of the work to be performed in FY 2024-25 and is included in the preliminary Work Plan.

Near Term Supply Solutions is the third area under Reliable Water Supply. It is BAWSCA's work on water conservation and drought responses, which includes the preparation of the Drought Report, efforts on "Making Water Conservation a Way of Life", core and subscription conservation programs for member agencies, and participation in San Mateo County's C/CAG's one water pilot program to name a few.

Ms. Sandkulla presented the existing and planned core and subscription conservation programs included in the preliminary Work Plan for FY 2024-25. Core conservation programs are paid for through BAWSCA's operating budget because they provide a regional benefit to

the BAWSCA region. They include the WaterWise Gardening Tool, Landscape Education Program, the Drought Summary Report, and the new Grant Tracking program, to name a few.

Subscription conservation programs are paid for by agencies who choose to participate in BAWSCA's rebate programs such as the Rain Barrel rebate program, Lawn Be Gone, Smart Controller Rebate, inspection services, and school education programs.

The administration of the WSA is a major area under Reliable Water Supply in which BAWSCA is tasked to take the necessary actions to protect the members' water supply and financial interests. Work in this area includes monitoring the SFPUC's implementation of its Alternative Water Supply (AWS) Program, ensuring SFPUC meets its contractual water supply obligations to its wholesale customers, and facilitating the negotiations and adoption of a new Tier 2 Plan.

Ms. Sandkulla noted that the preliminary Work Plan includes a new item to support member agencies, should the SFPUC propose a new amendment to the WSA related to Minimum Purchase obligations that certain agencies have. The SFPUC has indicated the potential for the proposed amendment, and that interest is shared by some BAWSCA agencies. The timeframe of the potential proposal is driven by the SFPUC and the interest of the agencies with the minimum purchase obligations to see an amendment put forward. BAWSCA will monitor the developments closely and will keep the Board apprised. Ms. Sandkulla stated her hope is that if there is such a proposal, its timing would correspond with the timing of the Tier 2 Plan, so that the governing bodies can take one combined adoption action.

The last set of areas under Reliable Water Supply include: **protecting the member agencies' water supply reliability interests** which includes BAWSCA's work on the Bay Delta Plan and FERC relicensing process; **pursuing grant opportunities** which includes pursuing grant funding with regional partners and the addition of a new task to implement a grant tracking tool to support member agencies' access to grant funds; **reporting and tracking water supply and conservation actions** which entails the yearly completion of the Annual Survey and Water Conservation Report. Ms. Sandkulla noted that BAWSCA is a primary source of data made available to the public about the member agencies' water use characteristics since 1986. The reports are supported by BAWSCA's water conservation database which was updated in 2023. These reports are available on the BAWSCA website.

High-Quality Water

BAWSCA has no obligatory role in treating water supply but has a role in supporting its member agencies in their relationship with San Francisco on water quality issues. There is a Joint Water Quality Committee under the WSA, in which BAWSCA coordinates the member agencies' participation as well as in the appointment of one of the Co-Chairs. It is a technical committee that gets deep into the important water quality issues within the Regional Water System. BAWSCA supports the flow of important water quality communication items between the member agencies and the SFPUC by facilitating dialogue effectively through the SFPUC and WSA established chain of communications. BAWSCA also reviews and acts on, if necessary, state legislation affecting water quality regulations. The recent PFAS settlement in which the member agencies had to opt-in or opt-out of the proposed settlement is an example of BAWSCA's engagement to assist agencies make their decisions.

Fair Price

The category of Fair Price is a significant part of the Work Plan because it is performing matters in the WSA that the agencies have delegated to BAWSCA. The administration of the WSA is to protect the member agencies' financial interests, and ensure that agencies only pay their fair share of the costs. Performing the review of the Wholesale Revenue Requirement from the SFPUC, which is nearly \$300M a year, and administration of the wholesale revenue bonds are major tasks that have proven to save the water customers money.

Agency Effectiveness

The category of Agency Effectiveness includes BAWSCA's work with officials at the local and state level, as well as officials with the City and County of San Francisco, to maintain a relationship that, in turn, will safe-guard the health, safety, and economic well-being of the BAWSCA region. It also includes the professional and efficient management of the agency by maintaining a motivated, trained and effective workforce, continuing the staff-led plan to address BAWSCA's long-term policy and operational resiliency, implementing Board policy directives on OPEB and pension liability obligations, as well as executing the new directive to make Board and BPC meetings available for livestreaming.

Ms. Sandkulla noted that the Work Plan commits to ensuring the technical requirements to livestream the meetings. If the Board, in the future, decides to switch to a remote participation format, that will require further Board discussion about both the staffing and financial resources needed to implement such an action.

The preliminary Work Plan includes the continuation of three previously approved Multi-year Projects. First is the 2021-23 Drought Summary Report as previously discussed and acted on.

Second is supporting member agencies in meeting the water use efficiency legislation requirements for commercial, industrial, institutional accounts. BAWSCA has been working with Valley Water since 2022 in developing guidance documents to meet the requirements, and the FY 2024-25 Work Plan includes the finalization of those documents to reflect the State's adopted regulations. The estimated cost for this effort is \$65K in the coming fiscal year.

Facilitating the negotiations of a new Tier 2 Plan will continue in FY 2024-25, and is anticipated to be complete by July 1, 2024. The effort will transition into the preparation of the materials needed for each agency adoption, and will include development of contract language, resolutions, staff report, presentations, and when necessary, attendance of meetings to assist with the adoption process. The estimated cost for this effort is \$130K with \$50K for legal support and \$80K for technical consultant support.

Ms. Sandkulla reported that the first iteration of the preliminary Work Plan showed significant overloading in the water resources team with an estimated workload of over 150%. The challenge is that the FY 2024-25 Work Plan has several major areas with external drivers that impact the workload. She explained that development of a new Tier 2 Plan is ultimately driven by the negotiations, and the Demand Study is on a schedule that must be followed in order for it to work for the agencies.

Ms. Sandkulla noted that effective management of the workload is critical to the agency's ability to achieve its goals without overloading staff and upholding BAWSCA's team of dedicated and effective individuals who are knowledgeable long-term employees.

The best option to relieve the workload is to delay the start of Strategy 2050 to begin in January 2025. Staffing resource constraints will remain, but the option improves the ability of BAWSCA to properly staff the work efforts. Ms. Sandkulla will closely monitor the workload and noted that there may be adjustments needed as the fiscal year progresses.

Budget considerations for FY 2024-25 will need to continue to support 1) implementation of water resources activities in support of the Strategy, 2) oversight of SFPUC to ensure Regional Water System reliability and contractual obligations are met, and 3) sustained effort for the Bay Delta Plan and FERC process. Ms. Sandkulla will examine the forecast for end-of-year spending to understand how it might impact the General Reserve balance. Ms. Sandkulla noted that the General Reserve balance appears to be solid, and can provide the means to leverage funds available for use to pay for the cost of potential consultant support to augment existing staff resources.

The Committee's feedback will be taken and reflected in the preliminary Work Plan that will be presented to the Board in March, along with considerations for funding the Operating Budget. She noted that additional information regarding Legal Counsel and its historical budget amounts will be included in an appendix to the budget memo.

As a reminder, Ms. Sandkulla noted that BAWSCA's primary source of funding is its assessments on member agencies as provided for in its enabling legislation (AB1823). No assessment increases were required to fund the FY 2023-24 Operating budget. An item that will not be included in the preliminary FY 2024-25 Operating Budget will be the funding for the development of Strategy 2050, as it will be a separate action by the Board to consider the use of the Water Management Charge to fund Strategy development.

The Committee will be presented with a proposed FY 2024-25 Work Plan and Operating Budget in April for further discussion before recommending action by the Board at its May meeting.

Director Pierce asked how large is the pool of experts that can do the work for the Demand Study 2025, and where in the Work Plan can the groundwater storage concept that Spreck Rosekrans referenced fit into, as it may be an opportunity to connect with Turlock Irrigation District and Modesto Irrigation District,

Water Resource Manager, Tom Francis stated that demand studies and the knowledge of conservation program analysis is unique. It is a small, specialized pool of experts that are able to do the work. He anticipates getting at least two (2) responses to the RFP that was sent to ten (10) consulting firms.

Ms. Sandkulla sees the work related to a potential groundwater storage concept in either BAWSCA's advocacy with the SFPUC on its Alternative Water Supply Plan, or as a potential part of Strategy 2050. The concept is one that BAWSCA supported back in 2005 as part of its comments on the SFPUC PEIR for the WSIP. At the time, it was called the "Green Option". BAWSCA has been a long-time proponent of conjunctive use in and around the Tuolumne area and the potential partner agencies within or adjacent to that area.

Director Pierce commented that much of BAWSCA's work requires the involvement of legal counsel and legal counsel functions as an additional source of staffing that provides the necessary expertise, particularly in the negotiations with San Francisco and the SFPUC.

She supports postponing the start of Strategy 2050 to balance the workload and asked if there is a demand for hiring additional staff resources at BAWSCA moving forward.

Ms. Sandkulla stated that while the need for additional staff is a strong possibility, she noted that the development of Strategy 2050 would also be a helpful tool to better understand BAWSCA's long-term needs for additional staff. Hiring an additional staff member is a long-term commitment and is not taken lightly. An important consideration is making sure that all areas of BAWSCA's Work Plan have sufficient resources, particularly in the financial area in which Christina Tang is the sole staff-knowledge base. Looking into the need for redundancy in that area is going to be a part of the agency's resiliency plan.

Director Pierce added that the kinds of efforts that BAWSCA assumes on behalf of the member agencies require specific types of expertise. She supports the best way of getting the results achieved whether it be by consultants or by the staff.

Director Doerr inquired about the possibility of 1) bringing in more FTE's with the cost of the Demand Study to help do the work and transition away from the agency's high number of consultants; 2) having a high-level description of the conservation programs provided to the board; and 3) adjusting the Work Plan item to move meetings towards a hybrid format instead of livestream.

In response, Ms. Sandkulla explained that demand studies are done with consultants because this work is performed just once every 5 years in conjunction with the member agencies' UWMPs. Once completed, the work goes away until the next cycle. Additionally, a demand study for 26 agencies is a heavy load that cannot be done by one person. And, it is important to seek out the next level of expertise. For example, what are the next pieces of conservation measures that can be incorporated into the models, how thorough are the financial analysis and the sensitivity analysis. What the agency benefits from, long-term, is having in-house staff who have experience in overseeing the development of the demand study and the capability to provide the member agencies with the assistance they need as they go through the demand study process, including the ability to give advice on how best to use demand study results in their UWMP development.

BAWSCA's Annual Conservation Report provides a thorough description of BAWSCA's conservation programs, includes level of activity, and cost by fiscal year. The report is posted on the BAWSCA website.

Regarding the change in board meeting format, Ms. Sandkulla took a directive from the Board Chair to pursue livestreaming the meetings, with the consideration of a hybrid meeting format in the future. Technical challenges remain with doing a livestream format, and assuming the issues are resolved, Ms. Sandkulla noted that to go from a livestream format to a hybrid format so the public can have remote participation will take more staff resources. Specifically, another person will be needed to assist during the meeting to manage the public participants. This service can be performed by an outside professional, however, that additional cost is not included in the preliminary Work Plan. She added that current staff efforts to ensure the

livestream format is successful has taken significant staff time, and emphasized that staff resources are fully allocated to implement the current adopted Work Plan. Adding further new items to the Work Plan as it stands will require removing ongoing items from the Work Plan to accommodate the change in direction.

Director Zigterman referenced Director Pierce's comments on the groundwater storage concept as an alternative water supply. He noted that it should be under BAWSCA's long-term supply solutions as part of its effort to facilitate the development of other local supply options and investigating its potential. He proposed that the word "investigate" be added in Work Plan item #2e.

He suggested having a workshop to discuss efforts within the region, perhaps on stormwater capture, groundwater recharge, and existing dams and reservoirs, as potential sources of alternative water supplies.

Ms. Sandkulla agreed with Director Zigterman and stated that the development of Strategy 2050 will include the exercise of investigation, information sharing, and taking advantage of the agencies' expertise and experiences on their previous and current efforts. She clarified that the language of Work Plan Item 2e is generic and references the assistance BAWSCA provides agencies with the administrative processes of grant funding, tracking and monitoring related reports and policies.

Director Zigterman agrees with the CEO/General Manager's approach to identifying the staffing resources against the Work Plan, but he is curious to know the plan to address the issue.

He suggested considering field experts familiar with the region's water issues who may have retired, but are not completely done with working. They can be hired as independent consultants to provide BAWSCA the expertise in managing and or completing the Work Plan items without the added costs of FTE's or having to enter into agreements with consulting firms.

Ms. Sandkulla appreciates the idea and agreed with the value of independent consultants. She stated that BAWSCA is currently using several independent consultants for Work Plan items listed under water reliability and fair price.

Director Schneider appreciates the Committee members' comments and can relate with having a lean staff. She supports the CEO/General Manager in doing what she believes is best for achieving the results with the current staff resources.

She also expressed support for additional staff resources to be able to pursue opportunities for alternative water supplies as it would provide benefits to the water customers. Conjunctive water use and stormwater recharge are current hot topics and she encouraged the CEO/General Manager to bring those opportunities to the Board for consideration.

Director Ragsdale stated her support for what the agency needs in terms of staff resources. She noted the importance of maintaining staff morale and avoiding staff burnout while also developing them for resiliency.

She suggested providing the Board links that will enable them to quickly access the 2014-2017 Drought Report and the recent Annual Water Conservation Reports, similar to how links are provided in the correspondence packet to access reference documents.

Lastly, she noted that the Peninsula Clean Energy is a similar organization to BAWSCA with 22 board members from multiple counties. The agency does hybrid meetings which, while it offers Board members and members of the public the convenience of participating remotely, take a significant amount of staff time, and adds complexity to the process of setting up the meeting to ensure the meeting flows accordingly with roll call votes, and successfully with technical connections and monitoring of the remote participants.

- B. Update on Negotiations of a new Tier 2 Plan: Sr. Water Resource Analyst, Danielle McPherson was pleased to report that there was a lot of momentum built since the December meeting and in the spirit of compromise, the agencies' lead negotiators came to an agreement at its February 12th meeting on inputs and components to create a full plan. The next step is a sensitivity analysis to ensure that there are no unintended consequences and to address a few outstanding items that are relatively minor.

It is anticipated that the process for each agency to adopt a new Tier 2 Plan would take approximately 6 months. The lead negotiators are working towards finalizing an updated Tier 2 plan by the end of June for a unanimous adoption by the governing bodies of the member agencies by December 2024. The current Tier 2 Plan is set to expire December 31, 2024.

Given the progress made at the February 12th meeting, BAWSCA is optimistic that the lead negotiators will come to an agreement on final key parameters by end of June.

If, however, progress is stalled, BAWSCA will provide the Board with updates to fully prepare the Board to consider the options it has for action.

Director Zigterman commended Ms. McPherson's efforts in bringing the agencies together in unison. He appreciates her leadership in the negotiations.

- C. BAWSCA's Long Term Reliable Water Supply Strategy 2050: Ms. Sandkulla recommended to table this report in the interest of time. Committee members were invited to reach out to the CEO/General manager with questions they may have from the staff report. An update will be provided to the Board at the March meeting.

7. CEO Reports:

- A. Water Supply and Demand Projections: Current water supply conditions are in a good position and are benefiting from the wet year last year. Ms. Sandkulla reported that storage at Hetch Hetchy is higher than the normal percent of maximum because the Hetch Hetchy system has been offline since early January for work on the Mountain Tunnel and San Joaquin Pipelines. Water supply is being drawn down from local water storage.

Other California water reservoirs are looking good but some areas are experiencing snow drought to date. As of February 11th, precipitation at Hetch Hetchy is low but is steadily climbing upward. Snowpack level is climbing but remains less than the historic median, although not below.

Total demands are tracking with the 5-year average. Ms. Sandkulla noted that water demand is somewhat lower in recent years than in years prior, and that the possibility that water

demand could continue to stay at current levels is something that is being closely monitored at BAWSCA.

- B. **Bay-Delta Plan and FERC Update:** Ms. Sandkulla reported that there are no new developments. She affirmed that Phase I Voluntary Agreement CEQA review is ongoing. She noted that the administrative process is missing their milestones that were set up in Spring of 2023 and is taking longer than expected. There are no new updates to the schedule that was provided to the Board and BPC in recent months.

The State Board anticipates the adoption of the Phase 2 updates in late 2024 during a public process.

As of February 14th, there is no Court Ruling following the oral arguments in the State Water Board Cases. The Court now has 90 days from January 18th to issue its ruling.

BAWSCA will continue to closely monitor the activities of the State Board.

8. **Closed Session:** No Closed Session was held.
9. **Comments by Committee Members:** There were no comments from members of the Committee.
10. **Adjournment:** The meeting was adjourned at 3:25pm. The next meeting is April 10, 2024 in Sequoia Room of Burlingame Community Center.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Feb. 14, 2024	Dec. 13, 2023	Oct. 11, 2023	Aug. 11, 2023	Jun. 14, 2023	Apr. 12, 2023
Santa Clara	Hardy, Karen (C)	✓	✓	✓	MEETING CANCELLED	✓	✓
Hillsborough	Ragsdale, Leslie (VC)	✓	n/a	n/a		n/a	n/a
Westborough	Chambers, Tom	✓	✓	✓		✓	✓
Menlo Park	Doerr, Maria	✓	✓	✓			✓
CalWater	Duncan, Darin	✓	n/a	n/a		n/a	n/a
Redwood City	Pierce, Barbara	✓	☎	✓		✓	✓
Millbrae	Schneider, Ann	✓	✓	✓		✓	✓
MPWD	Vella, Lou	☎	✓	✓		✓	✓
Stanford	Zigterman, Tom	✓	✓	✓		✓	✓

✓ : present

☎ : Teleconference

February 14, 2024 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		
Kyle Ramey	Water Resources Specialist		
Lourdes Enriquez	Asst. to the CEO/General Manager		
Deborah Grimes	Office Manager		

Public Attendees:

Alison Kastama	SFPUC
Spreck Rosekrans	Restore Hetch Hetchy

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING**

January 18, 2024 – 6:30 p.m.

MINUTES

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

BAWSCA Chair, Gustav Larsson, called the meeting to order. CEO/General Manager Nicole Sandkulla called the roll. Twenty (20) members of the Board were present at roll call. A list of Directors present (20) and absent (6) is attached.

2. Special Order of Business – Election of Officers for Calendar Year 2024

There were no comments from members of the public prior to the elections.

Chair Larsson called for nominations for the position of Chair of the BAWSCA Board. Director Pierce nominated Tom Chambers for Chair. Director Hardy seconded the nomination. Director Tom Chamber accepted.

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

The Board voted unanimously to elect Tom Chambers as Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2024, to commence at the adjournment of the meeting at which he was elected.

Chair Larsson called for nominations for the position of Vice-Chair. Director Hardy nominated Louis Vella. Director Schneider seconded the nomination. Director Louis Vella accepted.

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

The Board voted unanimously to elect Louis Vella as Vice-Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2024 to commence at the adjournment of the meeting at which he was elected.

3. The meeting adjourned at 6:37 pm to convene the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting.

4. The meeting reconvened at 6:43 pm

5. Comments by the Chair:

Chair Larsson noted that the agenda includes the work plan and budget planning session. Staff will provide the Board a report on BAWSCA's work that is directly related to its goal of a Reliable Supply of High-Quality Water at a Fair Price.

6. Board Policy Committee Report – Director Hardy provided information on the December 13th Board Policy Committee meeting. Two items were discussed during

this meeting – the Bond Surcharge approval and changes to the workplan. Both are on the Board agenda.

7. SFPUC Report:

Mr. Steve Ritchie, SFPUC Assistant General Manager, provided a water supply condition update for the Regional Water System.

Questions and comments were taken from members of the Board.

No public comments or questions were provided.

8. Public Comments on Items Not on the Agenda:

No public comments were provided.

9. Consent Calendar:

Director Pierce made a motion, seconded by Director Stevenson, that the Board approve the Minutes of the November 16, 2023 meeting; receive and file the Budget Status Report as of November 30, 2023, Investment Report, Directors' Reimbursement Report, and Employee Reimbursement Report as of December 31, 2023; and approve the Proposed FY 2024-25 Bond Surcharges.

The motion passed unanimously.

10. Action Calendar:

Ms. Sandkulla presented the Mid-Year 2023-24 Work Plan, Budget, and General Reserve Review and Recommended Changes. Comments and questions were taken from members of the Board. No public comments were provided.

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

11. Special Reports

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

Comments and questions were taken from members of the Board. No public comments were provided.

12. CEO Reports:

Ms. Sandkulla provided the Board with an update on the following items:

- A. Update on Negotiations of a new Tier 2 Plan
- B. Consultant billing rate market comparison for FY 2023-24
- C. Bay Delta Plan/ FERC

Questions and comments were taken from members of the Board. No public comments were provided.

10. Closed Session

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

The meeting adjourned to Closed Session at 7:42pm.

11. Report from Closed Session:

Chair Larsson reconvened the meeting to Open Session.

Legal Counsel, Allison Schutte, reported that the Board reconvened from Closed Session at 7:55. There was no reportable action taken during Closed Session.

12. Discussion Item – Fiscal Year 2024-25 work plan and budget planning session

Ms. Sandkulla presented BAWSCA’s budget process and asked for Board feedback on additional near and long term issues to be considered. Directors Smegal, Hamilton, Schneider, Andrews, Doerr, Pierce, Weed, Stevenson, Ragsdale, Vella provided questions and comments.

Public comment was received by Richard Mehlinger of Sunnyvale.

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

Director Schneider, Director Smegal, Director Pierce and Director Larsson provided comments to the Board.

14. Date, Time and Location of Next Meeting: The next meeting is scheduled on March 21, 2024 at 6:30pm at Burlingame Community Center.

15. Adjournment: The meeting adjourned at 8:22pm.

Respectfully submitted,

Nicole Sandkulla
CEO/General Manager

NS/le

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

Roll Call & Voting Log - BAWSCA

Meeting Date: January 18, 2024

Agency	Director	Present/ Absent	Item #2 Election of Chair	Item #2 Election of Vchair	Item #9 Consent	Other	Weighted Voting ⁽²⁾	
							Weighted "Yes" Votes	Weighted "No" Votes
Hayward	Andrews, Angela	y	y	y	y			
Brisbane	Breault, Randy	y	y	y	y			
Guadalupe	Breault, Randy	y	y	y	y			
Westborough	Chambers, Tom	y	y	y	y			
San Jose	Cohen, David	y	y	y	y			
Menlo Park	Doerr, Maria	y	y	y	y			
San Bruno	Hamilton, Tom	y	y	y	y			
Santa Clara	Hardy, Karen	y	y	y	y			
Foster City	Hindi, Sam	y	y	y	y			
Purissima	Jordan, Steve	y	y	y	y			
Sunnyvale	Larsson, Gustav	y	y	y	y			
East Palo Alto	Lopez, Antonio	0	0	0	0			
Daly City	Manalo, Juslyn	0	0	0	0			
Mountain View	Matichak, Lisa	y	y	y	y			
Coastside	Mickelsen, Chris	0	0	0	0			
Milpitas	Montano, Carmen	0	0	0	0			
North Coast	Piccolotti, Tom	y	y	y	y			
Redwood City	Pierce, Barbara	y	y	y	y			
Hillsborough	Ragsdale, Leslie	y	y	y	y			
Millbrae	Schneider, Ann	y	y	y	y			
Cal Water	Smegal, Tom	y	y	y	y			
Burlingame	Stevenson, Peter	y	y	y	y			
Palo Alto	Stone, Greer	0	0	0	0			
Mid-Peninsula	Vella, Louis	y	y	y	y			
ACWD	Weed, John	y	y	y	y			
Stanford	Zigterman, Tom	0	0	0	0			

Vote Tally						Weighted Vote Summary	
	Yes (y)	No (n)	Absent (0)	Abstain (a)	Other	"Yes"	"No"
Yes (y)	20	20	20	20			
No (n)							
Absent (0)	6	6	6	6			
Abstain (a)							
Item Carries by Simple Vote?							
Item Carries by Weighted Vote?							

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

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

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

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

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Bay Area Water Supply and Conservation Agency

**Board of Directors Meeting
Attendance Roster**

Director	Agency	Jan. 18, 2024	Nov. 16, 2023	Sept. 27, 2023	July 20, 2023	May 18, 2023	Mar. 16 2023
Andrews, Angela	Hayward	✓	✓	✓	✓	✓	
Breault, Randy	Guadalupe	✓	✓	✓	✓		
Breault, Randy	Brisbane	✓	✓	✓	vacant	✓*	*
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Cohen, David	San Jose	✓	✓	✓			✓
Doerr, Maria	Menlo Park	✓	✓	✓	✓	✓	✓
Hamilton, Tom	San Bruno	✓	✓	✓	✓	✓	✓
Hardy, Karen	Santa Clara	✓	✓		✓	✓	✓
Hindi, Sam	Foster City	✓		✓		✓	✓
Jordan, Steve	Purissima	✓	✓	✓	✓	✓	✓
Larsson, Gustav	Sunnyvale	✓	✓	✓	✓	✓	✓
Lopez, Antonio	East Palo Alto		✓	✓			
Manalo, Juslyn	Daly City					✓	✓
Matichak, Lisa	Mountain View	✓		✓	✓	✓	✓
Mickelsen, Chris	Coastside		✓			✓	✓
Montano, Carmen	Milpitas		✓		✓		✓
Piccolotti, Tom	North Coast	✓	✓	✓		✓	✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓	✓
Ragsdale, Leslie	Hillsborough	✓	✓	✓	✓	✓*	*
Schneider, Ann	Millbrae	✓	✓	✓	✓	✓	✓
Smegal, Tom	Cal Water	✓	✓	✓	✓		
Stone, Greer	Palo Alto		✓	✓		✓*	✓*
Stevenson, Peter	Burlingame	✓	✓	✓	✓	✓*	✓*
Vella, Louis	Mid-Peninsula	✓	✓	✓	✓	✓	✓
Weed, John	ACWD	✓	✓	✓		✓	✓
Zigterman, Tom	Stanford		✓	✓	✓	✓	✓

✓ : Present

* : Predecessor

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: March 8, 2024

SUBJECT: Budget Status Report as of January 31, 2024

This memorandum shows fiscal year budget status for FY 2023-24. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Operating Budget Summary:

For the seven-month period ending January 31, 2024, 58 percent into the fiscal year, total expenditures were \$2,695,239 or 54 percent of the total budget of \$4,983,419.

Table 1. Operating Budget Summary as of January 31, 2024

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,744,552	913,805	52%
Fair Pricing	272,500	77,994	29%
Administration	145,000	93,780	65%
Subtotal	2,162,052	1,085,579	50%
Administration and General			
Salary & Benefits	2,309,542	1,371,010	59%
Other Expenses			
BAWSCA	501,250	238,372	48%
BAWUA	1,050	0	0%
Subtotal	4,973,894	2,694,962	54%
Capital Expenses	5,000	0	0%
Budgeted Contingency	2,500	0	0%
Regional Financing Authority	2,025	277	14%
Grand Total	4,983,419	2,695,239	54%

Overview:

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

Consultants

The \$91,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 24 percent expended. The Operating Budget allocation of \$172,500 for strategic counsel was 40 percent expended. The Operating Budget allocation of \$891,000 budget for legal counsel was 67 percent expended. The \$238,984 budget for water management and conservation-related activities was 25 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 59 percent and 48 percent respectively.

Use of CEO's Discretionary Spending Authority:

In January, the CEO entered into the following agreement under her discretionary spending authority:

- Ricoh USA, Inc. in the amount of \$9,900 for a 48-month copier lease agreement that began March 2024.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2022-23 were \$665,592. The General Reserve balance as of January 31, 2024 reflects the transfer of the unspent balance from FY 2022-23 in accordance with BAWSCA's General Reserve Policy. At its January 2024 meeting, the Board authorized a transfer from the General Reserve of \$112,000 to fund the First Amendment for Hanson Bridgett. This transfer increases the Operating Budget by \$112,000. The reserve balance as of January 31, 2024 shown below reflects this transfer.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 11/30/23)	Account Balance (As of 01/31/24)
General Reserve	\$1,655,390	\$1,543,390

BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: March 8, 2024

SUBJECT: Investment Report – As of January 31, 2024

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. As a result of the recent review of the policy, proposed modifications to the current statement of investment policy ensuring safety of bank deposits over the FDIC limit were presented and approved by the Board at its May 18, 2023 meeting.

BAWSCA funds not deposited in banks are invested in the BAWSCA's Local Agency Investment Fund (LAIF) account throughout the year to ensure compliance with BAWSCA's investment policy.

BAWSCA's prior and current period LAIF account balances are shown below:

<u>12/31/23</u>	<u>01/31/24</u>
\$3,202,755	\$2,963,658

Of the total in the BAWSCA LAIF account as of January 31, 2024, \$1,543,390 represents BAWSCA's General Reserve Fund, equivalent to approximately 31 percent of FY 2023-2024 Operating Budget. The remaining amount consists of Subscription Conservation Program funds and unrestricted funds.

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

<u>09/30/23</u>	<u>12/31/23</u>
3.59%	4.00%

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BAWSCA

Bay Area Water Supply & Conservation Agency

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

MEMORANDUM

TO: Nicole Sandkulla, CEO/General Manager

FROM: Christina Tang, Finance Manager

DATE: March 12, 2024

SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report as of December 31, 2023

In February 2013, BAWSCA’s Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. In January 2023, BAWSCA completed the settlement of Series 2023A bonds to refund the 2013A bonds based on a tax-exempt forward delivery, which resulted in a reduced monthly surcharge from the agencies starting March 2023. The bond transactions and the prepayment program are anticipated to generate approximately \$89.4 million in net present value savings to the water customers from 2013 to 2034 when the bonds will be paid off.

Bond Surcharge Collections

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

The surcharges billed for the months of October through December 2023 have been collected and remitted to BAWSCA’s trustee account. Table 1 below presents a summary of transactions related to BAWSCA’s Bond Series 2013B and 2023A for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 12/31/2023

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>	<u>Difference</u>
October 2023	\$1,826,481	\$1,826,481	\$0
November 2023	\$1,826,481	\$1,826,481	\$0
December 2023	<u>\$1,826,481</u>	<u>\$1,826,481</u>	<u>\$0</u>
Total	\$5,479,443	\$5,479,443	\$0

Bond Surcharge Account Balances

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

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 12/31/2023

	30,194,291	Account Market Value as of 9/30/2023
<i>plus:</i>	5,158,946	<i>Surcharge Collected in October 2023 through December 2023</i>
<i>plus:</i>	244,202	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
<i>plus:</i>	220,375	<i>Change in Market Value of Held and Matured Treasury Bonds</i>
<i>minus:</i>	14,072,026	<i>Debt service payment to bondholders</i>
<i>minus:</i>	1,437,106	<i>Principal for Treasury bonds purchased</i>
<i>minus:</i>	1,828	<i>Accrued interest for Treasury bonds purchased</i>
<i>plus:</i>	1,478,491	<i>Market Value of Purchased Bonds</i>
	21,785,345	Account Market Value as of 12/31/2023

In October 2023, BAWSCA re-evaluated its investment strategy for the bond stabilization fund during the annual review of the Investment Policy. As the Federal Reserve maintains interest rates at their highest level in over twenty years in its efforts to tame inflation, rates in the 0-5 year range remain elevated. BAWSCA’s longer-term 0-5 year laddered maturity investment strategy continues to provide a disciplined approach for extending portfolio duration at prevailing market rates. With a laddered maturity distribution, the fund has taken advantage of being able to reinvest into the higher rates available on longer-term bonds. The current 0-5 year laddered maturity investment strategy continues to provide important yield curve diversification against both market price and reinvestment rate risks consistent with BAWSCA’s risk tolerances and primary investment objectives. For this reason, BAWSCA and its investment advisor believe that the current 0-5 year laddered maturity investment strategy remains appropriate as such longer-maturity strategies have historically provided greater investment returns and income over time.

As of December 31, 2023, the book yield and market yield on BAWSCA’s revised portfolio strategy was 2.19% and 4.35% respectively, as compared to the yield of 5.26% for the money market fund.

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

Debt Service Payment Status

The recent debt service payment of \$14,072,026 was made on October 1, 2023. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$4,280,534 will be made on April 1, 2024. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Authorization of Professional Services Contract to Support the Preparation of the 2021-2023 Drought Report**

Summary:

This item requests that the Board authorize the CEO/General Manager to negotiate and execute a contract to support the preparation of BAWSCA's 2021-2023 Drought Report (Drought Report). Consultant selection was completed on December 12, 2023 following a competitive selection process in accordance with the agency's procurement policy. Since that time, BAWSCA staff have been in agreement negotiations with EKI Water & Environment, Inc. (EKI) to clarify the scope, schedule and cost for the two proposed phases of the work. The drought report will summarize the actions taken by the State, SFPUC, and BAWSCA member agencies in response to the 2021-2023 drought; fiscal implications; water quality concerns during the drought; water use reduction attained; lessons learned; and future activities related to drought response. It will also include an analysis of the effectiveness of various drought measures implemented. The proposed scope of work is provided as Attachment A.

BAWSCA requires consultant assistance to prepare the drought report including creating the necessary action timelines and performing the drought measure effectiveness analysis. While BAWSCA staff will be deeply engaged with the consultant as the work is performed, the consultant will be responsible for drafting the drought report.

Assuming Board approval of the contract at its March 21, 2024 meeting, work on Phase 1 of the Drought Report preparation would begin. Phase 2 of Drought Report preparation will follow in FY 2024-25.

Fiscal Impact:

The total cost of services is \$135,000. The approved FY 2023-24 Operating Budget includes the required funds to perform Phase 1 of the work (\$35,000). The Workplan and Budget in development for FY 2024-25 will include the necessary funds needed for Phase 2 (\$100,000). Work on Phase 2 is predicated on the Board's approval of the FY 2024-25 Workplan and Budget at its May 16, 2024 meeting.

Board Policy Committee Action:

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

Recommendation:

That the Board authorize the CEO/General Manager to negotiate and execute a contract with EKI Water & Environment, Inc., subject to legal counsel's final review, for a total of \$135,000, of which \$35,000 will be approved for FY 2023-24 and the remaining \$100,000 is subject to future board approval of the FY 2024-25 operating budget, to support the preparation of a 2021-2023 Drought Report.

Discussion:

In 2017, BAWSCA produced a drought report (2014-2017 Drought Report) describing the 2014-2017 drought period and the actions taken by several entities, including the State of California (State), the SFPUC, Santa Clara Valley Water District (Valley Water), and BAWSCA itself. Additionally, the drought report documented BAWSCA Agencies' local drought response actions, fiscal implications, water quality concerns during the drought period, water use reduction attained, lessons learned, and future activities related to drought response. Several drought timeline overviews were created for the 2014-2017 Drought Report, displaying a timeframe for actions taken at the state and local level. The analysis and figures in the drought report carefully explained the specific standards, requirements, orders, and regulations that were enacted by various entities throughout the 2014-2017 drought. The 2014-2017 Drought Report proved to be a valuable reference to both BAWSCA Agencies as well as the region as a whole. A comprehensive record of what took place proved much more valuable than a "lessons learned" only approach that many water agencies took.

BAWSCA proposes to create a similar report to analyze efforts taken by entities during the 2021-2023 drought period. It will include all of the details present in the 2014-2017 Drought Report, and go a step further to include an evaluation of the functionality of programs enacted during the drought. Doing so will help elevate its use as a reference document for decision making and assistance during future droughts. Attachment A provides details regarding the scope of work proposed.

Consultant Selection Process

BAWSCA solicited proposals from qualified water resources consultants to assist BAWSCA in preparing the 2021-2023 Drought Report. A Request for Proposals (RFP) was issued on September 29, 2023. Proposals were received on November 3, 2023 from three qualified consultants. A panel, which consisted of a representative from one BAWSCA agency (Mountain View) and one outside water agency (Valley Water), took part in the review along with BAWSCA staff. The review included an analysis of the written proposals and an interview with the top two firms that submitted.

Through this competitive process, the proposal from EKI was selected as the preferred proposal in mid-December. Since that time, BAWSCA staff have been in agreement negotiations with EKI to clarify the scope, schedule and cost over the two proposed phases.

Cost of Services

The total cost of services as proposed by EKI is \$135,000. The approved FY 2023-24 operating budget includes the required funds to perform Phase 1 of the work (\$35,000). The Workplan and Budget in development for FY 2024-25 will include the necessary funds for Phase 2 (\$100,000). Work on Phase 2 is predicated on the Board's approval of the FY 2024-25 Workplan and Budget at its May 16, 2024 meeting.

Scope of Work

A copy of the proposed scope of work is provided in Attachment A.

Attachment A

Scope of Work: BAWSCA 2021-2023 Drought Report

PHASE 1 – FY 2023-2024

TASK 1 – DOCUMENT AND RECORDS REVIEW

EKI will review existing documents prepared by BAWSCA as well as other agencies pertinent to BAWSCA's drought actions and drought response measures (DRMs) including, but not limited to, the following:

- BAWSCA's 2017 Drought Report;
- Drought Response Measures (DRMs) implemented by the State, the SFPUC, Valley Water, BAWSCA, and BAWSCA Agencies;
- BAWSCA Agencies' 2020 Urban Water Management Plans (UWMPs) and Water Shortage Contingency Plans (WSCP);
- Tier 1 and Tier 2 Drought Allocations (SFPUC and BAWSCA);
- Member Agency staffing adjustments (hiring of temporary staff, etc.);
- Fiscal impacts and any water quality impacts on BAWSCA Agencies (including funding used to implement DRMs);
- Documentation of water use reduction achievements; and
- Other associated data and documentation

Data collected under this task will be summarized in a technical memorandum (TM-1).

TASK 2 - ENGAGEMENT WITH BAWSCA MEMBER AGENCIES

Concurrent with Task 1, EKI will reach out to BAWSCA Member Agencies to collect agency-specific data and receive their input on the contents of the Drought Report. Feedback will be collected through; (1) a survey transmitted via an electronic platform (e.g., SurveyMonkey), and (2) feedback offered during presentations given and workshops held at BAWSCA's WMR meetings. The Member Agency survey will include questions on the agency's DRMs implemented during the 2021-2023 drought. The survey questions will supplement the data compiled through Task 1. EKI will develop the survey and workshop materials and will assist BAWSCA if needed during the discussions.

TASK 3 – ATTEND MEETINGS AND PROVIDE TECHNICAL SUPPORT

PHASE 2 – FISCAL YEAR 2024-2035, subject to appropriation in the FY 2024-25 budget.

TASK 2 (Engagement) and TASK 3 (Meeting Attendance) will continue

TASK 4 – REVIEW OF DROUGHT RESPONSE EFFORTS SUGGESTED IN BAWSCA'S 2017 DROUGHT REPORT

EKI will document and summarize activities and lessons learned from the 2014-2017 drought that were then implemented in response to the 2021-2023 drought. As part of this effort, EKI will review sections in the 2017 Drought Report regarding recommendations on how to prepare for the next drought. EKI will compare these recommendations to data

collected and survey results from Task 1 to understand: (1) which of the recommended actions were taken during the 2021-2023 drought, and (2) which of the recommended actions were perceived to be helpful. The Drought Report will include a section that details what, if any, suggested measures were enacted and the associated impacts they had during the 2021-2023 drought.

TASK 5 – ANALYSIS OF EFFECTIVENESS OF WATER CONSERVATION MEASURES

Subtask 5.1 Identification of BAWSCA Agencies and Collection of Data

EKI and BAWSCA will work to secure the involvement of five BAWSCA Agencies to facilitate the Effectiveness Assessment. Those Agencies will be asked to provide account-level water use data and/or AMI data and Geographic Information System (GIS) data.

Subtask 5.2 Analysis of DRM Effectiveness

EKI will analyze the effectiveness of select DRMs amongst the 5 Agencies in order to assess the relative effectiveness of each DRM on each agency's water use. The results of these analyses will help each identified agency to better understand the specific effects of the implemented DRMs on their water use patterns during the 2021-2023 drought. Specific DRMs will be selected based on availability of data and implementation during the recent drought. Each set of analyses will be accompanied by maps, charts, and graphics that will support visualization of the results and conclusions and make them accessible to a broad audience.

Subtask 5.3 Analysis of Demographic and Geographic Factors

A geospatial analyses of customer water use trends during the 2021-2023 drought for the 5 Agencies will be performed to understand the impacts of the DRMs on water use reductions on a census tract level. This analysis will be used to identify statistically significant areas of high and low water use reductions during the drought (water use "hot" and "cold" spots) overlain with demographic and geographic factors

TASK 6 – DEVELOPMENT OF THE 2021-2023 DROUGHT REPORT

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Preliminary Fiscal Year 2024-25 Work Plan, Results to be Achieved and Operating Budget**

Summary:

This memorandum presents the preliminary Fiscal Year 2024-25 Work Plan and results to be achieved. Comments received from the Board at the January 18, 2024 Work Plan and Budget Planning Session and from the Board Policy Committee at the February 14th meeting have been reviewed and addressed.

The preliminary Work Plan remains aligned with BAWSCA’s legislated authority and its three goals: a reliable supply of high-quality water at a fair price. Major work areas include review of SFPUC’s 10-year Capital Plan and Asset Management Program; initiate development of BAWSCA’s Long-Term Reliable Water Supply Strategy 2050 (Strategy 2050); initiate development of Updated Regional Water Demand and Conservation Projections; provide assistance to members in meeting new State water use efficiency mandates; implement BAWSCA’s core and subscription conservation programs including the new BAWSCA grant tracking tool; take action necessary to ensure that the SFPUC meets its legal and contractual water supply reliability obligations to its Wholesale Customers; engage in SFPUC’s Alternative Water Supply (AWS) Plan implementation; facilitate adoption of a new Tier 2 Drought Allocation Plan (Tier 2 Plan); participate in the State Water Resources Control Board (SWRCB) Bay-Delta Water Quality Control Plan Update to ensure member agency interests are represented; participate as an intervenor on Federal Energy Regulatory Commission (FERC) proceedings associated with the licensing of New Don Pedro Reservoir; administer the Water Supply Agreement (WSA) with San Francisco to protect financial interests of the members; administer BAWSCA’s revenue bonds; implement Board policy directives for management of BAWSCA’s unfunded pension liability obligations; implement BAWSCA’s student internship program; maintain a motivated, trained and effective workforce; and continue development of a plan to address BAWSCA’s long-term policy and operational resilience to inform future policy decision making.

A critical step in preparing the preliminary Work Plan is an analysis of required staff resources. As a result of this analysis, some revised timelines for identified work efforts are proposed. Given the results of this analysis and the staffing constraint identified, the preliminary Work Plan reflects a recommended delay in initiating the development of Strategy 2050 until mid-year and a budget allowance to secure outside “staff-like” assistance per recommendation of the Board Policy Committee.

The preliminary Operating Budget is \$5,436,785, which is 9.1% above the approved FY 2023-24 Operating Budget. The preliminary Operating Budget represents approximately a 2-cent decrease in annual cost per person in the service area for an estimated cost to the water customer of \$2.91 per person per year. Considerations for funding the preliminary Operating Budget are presented below for further discussion.

Board Policy Committee Action:

The preliminary Work Plan and results to be achieved were presented to the Committee for discussion at its February 14th meeting. The Committee provided feedback on individual preliminary Work Plan items, results to be achieved, and the identified staffing constraint. The

Committee strongly encouraged the consideration of use of independent outside consultants that could act like an extension of staff to assist with the short term need. A budget allowance of \$68,250 has been included in the preliminary Operating Budget accordingly.

Recommendation:

That the Board provide comments and suggestions concerning the:

- 1. Preliminary Fiscal Year 2024-25 Work Plan and Results to be Achieved;**
- 2. Preliminary Operating Budget of \$5,436,785; and**
- 3. Preliminary considerations and alternatives for funding the Operating Budget.**

Discussion:

Preliminary Work Plan

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

The Preliminary FY 2024-25 Work Plan includes the following major efforts:

- Oversight of the SFPUC's WSIP, 10-Year Capital Plan Program (Capital Plan), Regional Water System (RWS) Asset Management Program, and Emergency Response.
- Implement BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy), including the following actions:
 - Initiate development of Strategy 2050;
 - Initiate development of updated regional water demand and conservation projections;
 - Participate in the Bay Area Regional Reliability Partnership (BARR);
 - Participate in PureWater Peninsula potable reuse project planning; and
 - Facilitate development of other local water supply options by members.
- Support near term water supply solutions for members including:
 - Prepare the BAWSCA 2021-23 Drought Report;
 - Represent members' interests in discussions on development of, and compliance with, California's "Making Water Conservation a California Way of Life" requirements as appropriate;
 - Provide regional coordination to support Advanced Metering Infrastructure (AMI) implementation and data management; and
 - Implement BAWSCA's regional core and subscription conservation programs to support members and their customers.
- Take actions to protect members' water supply and financial interests in administration of the WSA including the following:
 - Monitor SFPUC's implementation of its Alternative Water Supply (AWS) Plan and engage as appropriate;
 - Facilitate final negotiations and adoption of an updated Tier 2 Plan;
 - Monitor SFPUC's unfunded pension and OPEB liabilities;

- Protect members' water supply and financial interests in the SFPUC's required 2028 decisions;
- Ensure correct implementation of asset classification adjustments associated with the 2018 WSA amendment;
- Ensure correct implementation of the recent WSA amendment allowing for transfer of a paired portion of minimum purchase obligation and Individual Supply Guarantee; and
- If proposed by SFPUC, support member agencies in considering a possible new amendment to the WSA related to minimum purchase obligations
- Participate in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented.
- Participate in the New Don Pedro and La Grange FERC proceedings to protect regional water supplies.
- Implement new BAWSCA grant tracking tool to support member agencies' access to grant funds.
- Support members in receiving reliable communication of water quality issues including:
 - Coordinating member participation in Joint Water Quality Committee; and
 - Relaying important water quality information to members and SFPUC as necessary.
 - Review and act on, if necessary, State legislation affecting water quality regulations.
- Administer the WSA to protect financial interests of members.
- Administer BAWSCA's revenue bonds issued to retire capital debt owed by Wholesale Customers to San Francisco.
- Implement BAWSCA's Student Internship Program.
- Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.
- Maintain a motivated, trained, and effective workforce.
- Continue development of a staff-led plan to address BAWSCA's long-term policy and operational resilience to inform future policy decision making.
- Implement directive to make BAWSCA Board and Policy Committee meetings available to the public via livestream.

Table 1 presents the draft preliminary FY 2024-25 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

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

New or Significantly Re-scoped Activities for FY 2024-25

There are two new, significantly rescoped, or expanded activities included in the preliminary FY 2024-25 Work Plan. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA members.

1. Work Plan Item 2a: Initiate Development of BAWSCA’s Strategy 2050
Estimated FY 2024-25 Cost: To be determined based on scoping completion

BAWSCA’s review of water supply factors and water supply planning considerations in Spring 2022 showed significant changes that warranted the need to update the existing Long-Term Reliable Water Supply Strategy (Strategy 2015). Work that followed in FY 2022-23 focused on determining if consulting assistance was needed to update the Strategy and the best process for scoping the update. In FY 2023-24, with consulting support secured, BAWSCA began the preparation of a Scope of Work for Strategy 2050. That Scope of work will be completed in Spring 2024, and will include an estimated budget for the recommended tasks associated with the preparation of Strategy 2050,

To date, the expectation has been that development of Strategy 2050 would begin at the start of FY 2024-25, however, due to staff resources constraints (as discussed below), the draft preliminary FY 2024-25 Work Plan assumes that major work on Strategy 2050 will begin in January 2025.

Additionally, the sources of funds for the development of Strategy 2050 will be presented as a separate item for the Board when it considers the recommended consultant contract. As done in 2009 with the prior Strategy development, staff anticipates recommending that the Strategy development be funded via a separate Water Management Charge on the member agencies, as authorized by the Water Supply Agreement. Specifically, Section 3.06.A of the Water Supply Agreement states:

“In order to support the continuation and expansion of water conservation programs, water recycling, and development of alternative supplies within the Wholesale Customers’ service areas, the SFPUC will, if requested by BAWSCA, include the Water Management Charge in water bills sent to Wholesale Customers. The SFPUC will deliver all Water Management Charge revenue to BAWSCA monthly and shall deliver an annual accounting of Water Management Charge revenue to BAWSCA within 90 days after the end of each fiscal year.

The use of the Water Management Charge in 2009 was well received by the member agencies for this type of purpose.

2. Work Plan Item 3b: Initiate Development of Updated Regional Water Demand and Conservation Projections
Estimated FY 2024-25 Cost: \$400K
Estimated FY 2025-26 Cost: \$250K

BAWSCA has coordinated regional water demand and conservation projections for its members since 2002. Since 2015, BAWSCA has completed these regional projections on five-year cycles to support regional planning efforts and to facilitate its member agencies’ preparation of State required Urban Water Management Plans (UWMP). The most recent Regional Water Demand and Conservation Projections, completed in June 2020 (2020 Demand Study), developed long-term water demand and conservation savings projections for each BAWSCA member agency through the year 2045.

BAWSCA proposes to update the regional water demand and conservation projections starting in FY 2024-25 in preparation for the 2025 UWMP reporting schedule and to support an update to its Long-Term Reliable Water Supply Strategy (Strategy 2050) which is designed to quantify the water needs of the BAWSCA region and to identify projects to meet that need. It is anticipated that this project will take 18 months to complete.

BAWSCA released a Request for Proposals for consultant support for this Work Plan item. Proposals were received on February 16th and a recommended consultant selection is anticipated for the April 2024 Board Policy Committee meeting. Based on the amount of work and proposals received, this work will not be completed until FY 2025-26 and therefore, additional costs will need to be included in the FY 2025-26 Operating Budget.

Preliminary FY 2024-25 Work Plan Includes Continuation of Previously Approved Multi-Year Projects

There are three major multi-year projects included in the preliminary FY 2024-25 Work Plan that were previously approved or anticipated by the Board. In each case, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA members.

**1. Work Plan Item 3a: Prepare BAWSCA 2021-23 Drought Summary Report
Estimated FY 2024-25 Cost: \$100K**

Following the conclusion of the 2014-17 drought, BAWSCA prepared a drought report, published in August of 2017 and made it available to the public. Given the success of the 2017 report, preparation of a 2021-23 Drought Summary Report was recommended and is included in the adopted FY 2023-24 Work Plan. A Request for Proposals for consultant services to support its preparation was released in November 2023 and a staff recommendation to secure the selected consultant was brought before the BPC in February and will be presented to the Board in March. The 2021-23 Drought Summary Report is currently anticipated to be complete by December 2024, and therefore will need to be included in the FY 2024-25 Work Plan with additional funds allocated. The total cost for the work is \$135K, of which \$35K will be spent in the latter months of FY 2023-24 and the remaining \$100K in the first half of FY 2024-25.

**2. Work Plan Item 3b: Support Members with Water Use Efficiency Legislation CII Performance Measure Requirements
Estimated FY 2024-25 Cost: \$65K**

In August 2023, the State Water Resources Control Board (Water Board) released draft regulations to implement the 2018 water use efficiency legislation, commonly referred to as “Making Water Conservation a California Way of Life.” The Water Board released a second draft of the regulations, reflecting feedback received from the first public comment period, on March 12, 2024. The new regulations will require significant new work requirements for BAWSCA member agencies that qualify as “urban water suppliers.”¹

¹ Urban water supplier” means a supplier, either publicly or privately owned, providing water for municipal purposes either directly or indirectly to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually.

BAWSCA and Valley Water are collaborating to develop resources to support member agencies with implementation and compliance with commercial, industrial, and institutional (CII) performance measure requirements. These resources will synthesize critical reporting requirements, deadlines, and provide key, locally specific resources in concise, easily digestible guides.

The Water Board anticipates the regulations will be finalized in Summer 2024. Given the significant work effort that will be required by agencies and the near-term reporting deadlines, some as early as 2026, BAWSCA and Valley Water decided it would be prudent to initiate elements of this project in the latter half of FY 2023-24 that are not subject to change based on the final rules. For example, at two meetings in January 2024, BAWSCA and Valley Water presented to the members what is known about the draft regulations, the rule-making timeline, and what resources this project will produce. A survey was also conducted in late January/early February 2024 to gather baseline data about the members' current practices related to the new requirements and will be used to ensure the resources are effective and designed to meet the agencies where they currently stand.

In the Spring of FY 2023-24, the consultant team will use the survey results, together with the second draft of the regulations, which were released by the Water Board on March 12, 2024, to develop the outline and structure of the guidance documents. The second draft of the regulations are expected to offer additional insight into what is likely to remain unchanged in the final rules that, as noted above, are anticipated to be finalized and adopted by the Water Board in the Summer of 2024. Funding for the work effort to be performed in FY 2023-24 was included in the budget and Work Plan for this current fiscal year.

In FY 2024-25, work on this project is expected to include finalizing the guidance documents to reflect the adopted regulations and training sessions to introduce and disseminate the materials and educate agencies on the new requirements.

**3. Work Plan Item 4e: Facilitate Negotiation and Adoption of an Updated Tier 2 Plan
Estimated FY 2024-25 Cost: \$130K**

Starting in FY 2021-22, the Board directed BAWSCA to facilitate negotiations to update the existing Tier 2 Plan. At its January 20, 2022 meeting, the Board authorized a professional services contract with Woodard & Curran to support BAWSCA's facilitation of negotiations among the members of the update. Progress continues with a June 2024 target for the completion of negotiations.

For FY 2024-25 work planning purposes, it is assumed that negotiations will be completed as of July 1, 2024. The work will then transition into the development and support of agency adoption efforts, along with a schedule that calls for the adoption of the Updated Tier 2 Plan by the governing body of each BAWSCA agency by December 31, 2024. Adoption package preparation efforts will include finalizing the associated contract language, preparation of materials to support adoption by the governing body of each BAWSCA agency (e.g., sample staff report, presentation, resolution), and in-person assistance to the BAWSCA agencies to support governing body consideration of action. The cost shown assumes a total of \$80K for technical consulting support, as well as \$50K for legal support, totaling \$130K in FY 2024-25.

Analysis of BAWSCA Staff Resources and Its Impact on the Preliminary FY 2024-25 Work Plan:

In preparing the preliminary Work Plan, hours for all nine BAWSCA staff members were allocated to each individual Work Plan item to ensure sufficient staff resources are available to achieve the Work Plan results. Care is taken to balance the Work Plan such that the proposed workload does not exceed staff's ability, from a time available perspective, to manage their assignments and ensure that the Work Plan results are delivered for the water customers.

The staff workload analysis for the first iteration of the preliminary Work Plan resulted in significant overloading for several of the staff members, including three staff with an estimated workload at 150% of a Full Time Equivalent (FTE) employee or greater. An FTE is calculated as 1920 hours/year, which accounts for four weeks of vacation and sick leave.

Modifications to the Work Plan were reviewed to address this issue. For FY 2024-25 there are several major work areas with external schedule drivers, namely the Tier 2 negotiations and Regional Demand Projections, that directly impact the staff workload. To mitigate this issue in FY 2024-25, BAWSCA proposes to start one project mid-fiscal year (i. e., initiation of Strategy 2050), versus at the start of the fiscal year to better match staff availability. The resulting staff analysis is presented in Chart 1 and identifies all staff being allocated above 100% of an FTE, but with just the CEO being allocated above 150% of an FTE. Table 3 presents the estimated staff hours, and associated FTE by major Work Plan item to implement the preliminary FY 2024-25 Work Plan as shown in Table 1. Overall, it is estimated that 21,445 staff hours, or 11.2 FTE, will be required to implement the preliminary FY 2024-25 Work Plan. For comparison purposes, for FY 2024-25, BAWSCA has an approved staffing level of 9 FTE for a total of 17,280 working staff hours (i.e., staff time minus assumed four weeks of vacation plus sick time).

In response to feedback received from the Board Policy Committee at its February 14th meeting, a budget allowance of \$68,250 has been included in the preliminary Operating Budget to support the use of an individual, through a consultant contract, that could act like an extension of staff to assist with the short term need.

Additionally, given the staffing resources constraints that have been identified, it is important to note that staff availability can be compromised if certain Work Plan items take longer to complete than planned (i. e., Tier 2 negotiations) or if new projects become a priority (e.g., a new Water Supply Agreement amendment to address the existing minimum purchase obligations), and thus one or more existing efforts must be postponed. For FY 2024-25, this staffing constraint will require close management to ensure that necessary work is completed, and the Board is kept apprised of progress.

Results of January 18, 2024 Work Plan and Budget Preparation Planning Session:

During BAWSCA's January 18, 2024 meeting, the Work Plan and Budget Preparation Planning Session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on BAWSCA's long-term future challenges and possible Work Plan items for the coming fiscal year. Table 4 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary FY 2024-25 Work Plan and results to be achieved.

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

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

- Developing Strategy 2050 in accordance with the scope prepared in FY 2023-24, and thereafter, implementing the Strategy 2050 recommendations to assure a reliable supply of high quality water at a fair price;

- Expanding efforts to monitor SFPUC’s development of its Alternative Water Supply Program that will result in the implementation of water supply projects to meet its level of service requirements, including the multiple projects necessary to address Bay Delta Plan impacts;
- Supporting member agencies on the development of state required Urban Water Management Plans; and
- Performing regional water demand and conservation projections once every 5 years to support regional planning.

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

This information is provided to assist the Board in its deliberation of both the current funding plan for FY 2024-25 and beyond.

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

An alternative to the preliminary Work Plan would be to delete the development of updated regional water demand projections. The estimated savings from deleting this item is \$400K in FY 2024-25.

This alternative is not recommended given the need for updated demand projections to support member agencies’ Urban Water Management Plans, which are due to the State by July 1, 2026, and the critical role these demand projections will play in SFPUC’s Alternative Water Supply Plan decision making and BAWSCA’s Strategy 2050.

PRELIMINARY FY 2024-25 OPERATING BUDGET:

The preliminary Operating Budget of \$5,436,785 presented in Table 6 reflects the funding necessary to achieve the full Work Plan and includes an estimated pre-funding contribution for Other Post-Employment Benefits (OPEB). This is included as a separate line item to highlight its inclusion in this ninth year of funding.

Explanation and Alternatives for Salaries and Benefits:

The increase for salaries and benefits of \$145,242 shown in the preliminary Operating Budget is a result of a variety of changes.

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

This year the COLA adjustment, based on the December value of the Consumer Price Index for the Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose area, is 2.797%. As such, the preliminary Operating Budget also includes the following for all employees except the CEO:

- An increase to the top step of salaries for FY 2024-25 by 2.797% to ensure that the approved salary ranges stay competitive moving forward; and

- \$58,978 total budget allowance for salary increases, which represents a potential 5% adjustment to the actual FY 2023-24 salaries for both COLA and merit increases.

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

A budget allowance of \$24,998 for a potential merit increase for the CEO has been included in the preliminary Operating Budget. For budgeting purposes, this amount is calculated in a manner consistent with the merit increases budgeted for the CEO since FY 2017-18, when direction was provided to the CEO to provide a budget allowance for these purposes.

Funding Considerations for the Preliminary Operating Budget:

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

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

The funding plan for the FY 2023-24 Operating Budget approved in May 2023 required no increase in assessments or use of the General Reserve.

In November 2023, the Board approved a transfer of \$56,752 from the General Reserve to increase the consultant contract with EKI for Strategy 2050 scope development. In January 2024, the Board approved a transfer of \$112,000 from the General Reserve to increase the consultant contract with Hanson Bridgett. Together, these changes have increased the adopted FY 2023-24 Operating Budget to \$4,983,419.

The General Reserve has a current balance of \$1,543,390, which is 31% of the adopted FY 2023-24 Operating Budget, and is within the 20% to 35% General Reserve budgetary guideline range set by the Board.

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

At this time, it is estimated that the FY 2023-24 Operating Budget will be 90-95% expended at year end. The CEO will continue to closely review the anticipated end of year expenses over the next few months. Any post-audit excess funds will be transferred to the General Reserve in Fall 2024, however at this time for budget funding purposes, it is assumed that no funds will be available for transfer at the end of FY 2023-24.

Funding Options and Alternatives:

In developing funding options to address FY 2024-25 budgetary needs, BAWSCA has three distinct funding sources to consider given the preliminary Work Plan items:

1. Member Agency Assessments
2. BAWSCA General Reserve

3. WSA Water Management Charge as allowed per Section 3.06.A of the WSA

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

- **Option 1 “Target 20% Reserve to Budget Ratio”:** 3% assessment increase (\$4,984,064) and a transfer of \$452,721 from the General Reserve. This results in a General Reserve balance of \$1,090,669, which is 20% of the preliminary Operating Budget.
- **Option 2 “Limit Assessment Increase to 5%”:** A 5% increase in assessments (\$5,080,842) and a transfer of \$355,943 to the General Reserve. This alternative results in a General Reserve balance of \$1,187,447, which is 22% of the preliminary Operating Budget.
- **Option 3 “Fully Fund Using Assessments”:** An 12.4% increase in assessments (\$5,436,785) and no transfer from the General Reserve. This alternative results in a General Reserve balance of \$1,543,390, which is 28% of the preliminary Operating Budget.

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

Table 1. Draft Preliminary FY 2024-25 Work Plan and Results to Be Achieved

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

BAWSCA OBJECTIVE & PRELIMINARY FY 2024-25 WORK PLAN	
RELIABLE WATER SUPPLY	
(5.1%)	<p>1. Facility Reliability: Monitor SFPUC’s WSIP, 10-Year Capital Plan, Asset Mgmt. Program, and Emergency Response</p> <ul style="list-style-type: none"> a. Monitor WSIP scope, cost, and schedule <i>including extending State oversight as necessary</i> through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they have been completed in such a fashion that they can meet their intended Level of Service (LOS) goals. b. Review and monitor SFPUC’s Regional 10-Year Capital Plan to ensure that identified projects and programs meet the needs of the members in a cost-effective and appropriate manner. c. Review & monitor SFPUC's Asset Management Program to ensure ongoing long-term maintenance and protection of RWS assets. d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters. e. Engage with and track the SFPUC Capital Planning Improvements Initiative Review. f. Review the SFPUC 2024 State of the Water System Report.
(19.2%)	<p>2. Long-Term Supply Solutions: Implement BAWSCA’s Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When Needed</p> <ul style="list-style-type: none"> a. <i>Initiate development of BAWSCA’s Long-Term Reliable Water Supply Strategy 2050 (Strategy 2050).</i> b. <i>Initiate development of updated regional water demand projections “BAWSCA 2025 Regional Water Demand and Conservation Projections Project”.</i> c. Participate in the Bay Area Regional Reliability (BARR) Partnership. d. Participate in the continued planning of the PureWater Peninsula potable reuse project. e. 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. f. Use BAWSCA Reliability Model to evaluate Bay Delta Plan Voluntary Agreement impacts on reliability, the prospective benefits that new alternative water supplies may provide, and to estimate the corresponding need to ration during droughts. g. Facilitate use of the BAWSCA Model by members via Subscription Program.
(11.0%)	<p>3. Near-term Supply Solutions: Demand Management, Water Conservation and Drought Response</p> <ul style="list-style-type: none"> a. Prepare the BAWSCA 2021-2023 Drought Report. 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 as appropriate.

BAWSCA OBJECTIVE & PRELIMINARY FY 2024-25 WORK PLAN

- c. Provide regional coordination to support members’ AMI implementation and data management and utilization.
- d. Implement BAWSCA’s core water conservation programs.
- e. Implement BAWSCA’s subscription conservation rebate programs that benefit and are paid for by participating members.
- f. Engage with CalWEP & others to promote 3rd party development & administration of a leak repair & training certification program.
- g. Participate in San Mateo County’s C/CAG OneWatershed pilot project.
- 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.

(7.6%) **4. Take Actions to Protect Members’ Water Supply and Financial Interests in WSA Administration**

- a. Monitor SFPUC’s implementation of its AWS Program, including associated recommended actions, and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations at a fair price to its Wholesale Customers.
- b. 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.
- c. Adopt a temporary extension of the existing Tier 2 Plan that expires Dec. 2024 if necessary.
- d. Facilitate final negotiations and adoption of an updated Tier 2 Plan.
- e. Protect members’ water supply and financial interests in the SFPUC’s required 2028 decisions.
- f. Ensure correct implementation of asset classification adjustments associated with 2018 WSA amendment.
- g. 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.
- h. *If proposed by SFPUC, support members consideration of possible WSA amendment on to min. purchase obligations.*

(10.8%) **5. Protect Members’ Interests in a Reliable Water Supply**

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

(0.1%) **6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts**

- a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, including Prop 1 Integrated Regional Water Management conservation grant.
- b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.
- c. *Implement BAWSCA grant tracking tool to support members’ access to grant funds.*
- d. Investigate potential for grant funds to support the implementation of BAWSCA’s Strategy.

(0.5%) **7. Reporting and Tracking of Water Supply and Conservation Activities**

- a. Complete BAWSCA FY 2023-24 Annual Survey.
- b. Complete BAWSCA FY 2023-24 Annual Water Conservation Report.

BAWSCA OBJECTIVE & PRELIMINARY FY 2024-25 WORK PLAN	
	c. In partnership with members, operate and maintain BAWSCA’s updated WCDB.
HIGH QUALITY WATER	
(0.5%)	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. b. Relay important water quality information (notices as received from SFPUC) to members when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending). c. Review and act on, if necessary, State legislation affecting water quality regulations.
FAIR PRICE	
(11.0%)	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. b. Administer BAWSCA’s revenue bonds issued to retire capital debt owed by the Wholesale Customers to San Francisco.
AGENCY EFFECTIVENESS	
(5.4%)	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. b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability. c. Maintain effective communications with members, customers, and others to achieve results and support goals. d. In conjunction with San Francisco, conduct or co-sponsor tours of the Regional Water System for selected participants.
(15.0%)	11. <u>Manage the Activities of the Agency Professionally and Efficiently</u> a. Implement BAWSCA’s Student Internship Program. b. Implement Board policy directives for management of BAWSCA’s unfunded OPEB and pension liability obligations. c. Maintain a motivated, trained, and effective Workforce. d. Continue development of a staff-led plan to address BAWSCA’s long-term policy & operational resilience to inform future policy decision making. e. <i>Implement directive to make BAWSCA Board and Policy Committee meetings available to the public via livestream.</i>

Table 2: Activities Not Included in Proposed Work Plan and Operating Budget for FY 2024-25

<p>RELIABLE SUPPLY</p> <ol style="list-style-type: none">1. Engage in extended or complex applications for State or Federal grant funds. Application for water conservation grants will continue to be made through or with the Bay Area Water Agency Coalition, the California Water Efficiency Partnership (CalWEP) (formerly the California Urban Water Conservation Council), or other agencies.2. Introduce major new legislation or support/oppose legislation initiated by others including legislation related to the Bay-Delta and California Water Fix. If needed, the agency could support major legislative efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.3. Initiate new unanticipated litigation or support/oppose new unanticipated litigation initiated by others. If needed, the agency could support major litigation efforts by redistributing resources, using the contingency budget, or accessing the general reserve, subject to prior Board approval.4. Secure outside technical expertise (i.e., geotechnical, hydrogeologic, water treatment, biological/fisheries professional services) to potentially assist in review of SFPUC’s capital projects or Bay Delta Plan.
<p>FAIR PRICE</p> <ol style="list-style-type: none">5. Develop alternative wholesale rate structures that the SFPUC might consider including a rate study applicable to the Regional Water System. Actions will be limited to facilitating communication with SFPUC, developing goals and objectives relevant to the Wholesale Customers, and addressing the potential relationship to alternative retail rate structures members might consider to stabilize water rates and water revenues.6. Arbitrate issues related to the Water Supply Agreement.7. Possible BAWSCA action to address the Board’s concerns regarding SFPUC’s unfunded pension and OPEB liabilities.
<p>HIGH WATER QUALITY</p> <ol style="list-style-type: none">8. Perform technical studies of water quality or San Francisco’s treatment of the water it delivers to the BAWSCA members.9. Advocate changes to water quality regulations or the manner in which San Francisco treats water for drinking and other purposes.
<p>AGENCY EFFICIENCY</p> <ol style="list-style-type: none">10. Add resources to support additional Board, Board committee, or technical committee meetings.11. Conduct tours of member agency facilities to acquaint Board members with potential supply projects and their neighboring jurisdictions, other than tours done in coordination with San Francisco.12. Provide for public participation in Board and Policy Committee meetings via a hybrid-style meeting format.

Chart 1. Staff Resource Analysis for Preliminary FY 2024-25 Work Plan

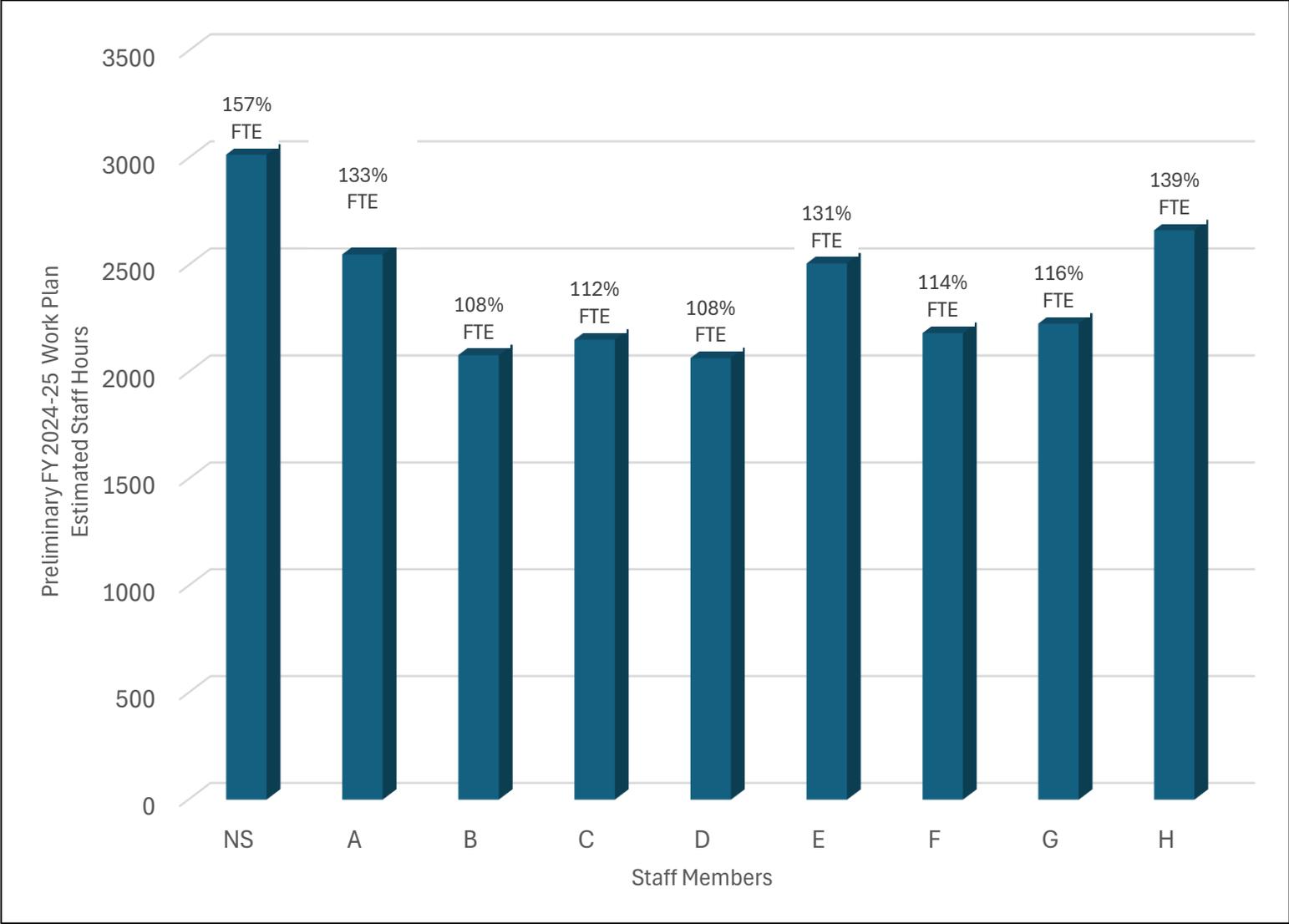


Table 3. Estimated Staff Hours and Full Time Equivalent (FTE) by Preliminary FY 2024-25 Work Plan Item

Staff Hours (Est.)	# of FTE (Est.)	Results to be Achieved in FY 2024-25
		RELIABLE WATER SUPPLY
764	0.4	1. Facility Reliability: Monitor the SFPUC’s WSIP, 10-Year CIP, Asset Management Program, and Emergency Response
2,990	1.6	2. Long-Term Supply Solutions: Implement Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed
4,158	2.2	3. Near-term Supply Solutions: Water Conservation and Drought Response
1,846	1.0	4. Take Actions to Protect Members’ Water Supply and Financial Interests in Water Supply Agreement (WSA) Administration
580	0.3	5. Protect Members’ Interests in a Reliable Water Supply
36	0.0	6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts
312	0.2	7. Reporting and Tracking of Water Supply and Conservation Activities
		HIGH QUALITY WATER
216	0.1	8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues
		FAIR PRICE
2,504	1.3	9. Perform Matters that Member Agencies Delegated to BAWSCA in the Water Supply Agreement
		AGENCY EFFECTIVENESS
1,046	0.5	10. Maintain Community Allies and Contacts with Environmental Interests
6,993	3.6	11. Manage the Activities of the Agency Professionally and Efficiently
21,445	11.2	TOTAL Estimated Staff Hours and FTE to Implement Preliminary FY 2024-25 Work Plan

Note: For FY 2024-25, BAWSCA has an approved staffing level of 9 FTE for a total of 17,280 working staff hours (i.e., staff time minus assumed four weeks of vacation plus sick time).

Table 4. FY 2024-25 Work Plan and Budget Planning Session – Comments and Suggested Work Plan Items for Further Consideration

#	Board Member	Board Member Comment/Question	Staff Response
1	Smegal	How does Strategy 2050 fit into the “challenges” table?	Developing and implementing Strategy 2050 is one of the ways that BAWSCA would address future challenge #3. Future challenge #3 has been modified, as shown on the attached Table 4, to remove any confusion about the focus of this challenge. By removing the reference to “completion of Updated Demand Projections”, it is clearer that this challenge is addressed by all of BAWSCA’s water resources work related to ensuring that water is available when and where the BAWSCA agencies and their customers need it.
2	Hamilton	There seems to be a disconnect between long-term planning (on the water side) and the RHNA challenges we all face.	Comment noted. Challenge #4 speaks to reflecting member agencies’ long-term water supply needs in regional planning efforts. BAWSCA’s demand projections are developed in close coordination with its member agencies and reflect the adopted land use policies and other policies for meeting state requirements, including RHNA, for each jurisdiction. As part of the Bay-Delta process, BAWSCA has identified the potential negative impact the proposed Bay-Delta Plan would have on the ability of its member agencies to meet required RHNA targets.
3	Schneider	Is there a need for lobbying or legislative work (in regard to infrastructure)?	The preliminary FY 2024-25 includes one legislative item to extend State oversight of the SFPUC’s implementation of the WSIP. Historically, BAWSCA has relied upon Mr. Wendell, a registered lobbyist, to assist in this effort. BAWSCA is currently investigating the legal requirements for a lobbyist for this limited effort and will reflect this need accordingly in the preliminary Work Plan and budget.
4	Andrews	It would be beneficial to be able to flag “bad actors” (high water users, either residential or commercial)	As a regional agency, BAWSCA does not have direct access to individual water user information. BAWSCA is aware that some agencies have a practice of reviewing a certain percentage or number of their largest residential and commercial accounts and contacting as necessary.
5	Doerr	How is demand management showing up in the “challenges” table? It is important to point out its significance.	Implementing demand management programs, including BAWSCA’s core and subscription conservation programs, is one of the ways that BAWSCA would address future challenge #3. Future challenge #3 has been modified, as shown on the attached Table 4, to remove any confusion about the focus of this challenge. By removing the reference to “completion of Updated Demand Projections”, it is clearer that this challenge is addressed by all of BAWSCA’s water resources work related to ensuring that water is available when and where the BAWSCA agencies and their customers need it.

6	Doerr	In the “challenges” table, does “protection of water supply” include future needs and infrastructure costs for new water supply?	For future challenge #11 and #12, which focus on the reliability of the facilities that are included in Regional Water System, the water supply interests being protected is the SFPUC’s ability to meet the 184 mgd Supply Assurance in the development of its 10-Year CIP (challenge #11) and asset management (challenge #12). Future challenge #2 is where oversight of SFPUC’s development and implementation of its Alternative Water Supply Program (which includes possible new supplies) is included.
7	Weed	Future challenges such as sea level rise and PFAS need to be evaluated and considered in decision making for new alternatives supplies including use of recycled water for drinking purposes.	Comment noted. BAWSCA will continue to support the inclusion of this important technical information as part of future evaluation of possible new water supplies.
8	Stevenson	Can you provide more clarification on what it means for the “representation of agencies in the Bay Delta Plan update”?	BAWSCA has worked closely with its member agencies and the SFPUC to understand the impact of the Bay Delta Plan on the Regional Water System and its ability to meet the 184 mgd Supply Assurance and SFPUC’s adopted Level of Service goals. These impacts are currently documented by the SFPUC and member agencies in their State required Urban Water Management Plans. BAWSCA relies on this information to provide comment on the Bay Delta Plan about its impact on the member agencies and their water customers.
9	Ragsdale	BAWSCA’s subscription conservation programs are great but communication to customers is a challenge. How do we better get the word out that these programs exist.	Given the variation of participation among the member agencies in BAWSCA’s subscription conservation programs, BAWSCA must primarily rely on individual member agencies to promote programs in their service areas. BAWSCA does provide support where appropriate (e.g., promotional materials, etc.) and speaks to its programs throughout the service area when the opportunity arises. Additionally, BAWSCA’s Water Management Representative meetings and the Water Resources Committee meetings provide a forum for members to share information about a myriad of water related issues, including promotion of conservation programs, especially during drought periods.
10	Vella	Please attach staff hours to each Work Plan item and provide to board.	A new Chart 1 and new Table 3 are included in this document and present the estimated allocation of staff hours and FTE by staff member and by Work Plan item for the preliminary FY 2024-25 Work Plan.
1	Public Comment (Mehlinger)	Climate change and resulting sea level rise will become a larger concern the future and we should be aware of that as we plan for the future.	Comment noted. Future challenge #1 has been modified accordingly.

Table 5. Potential Future Large Efforts

Project Name	Cost Updates			Discussion
	FY 2023-24 (Budget as Amended)	FY 2024-25 (Preliminary Budget)	FY 2025-26 & Beyond	
Develop the Long-Term Water Supply Strategy 2050, and thereafter implement Strategy recommendations to assure a reliable supply of high quality water at a fair price.	\$147K	\$767K	\$1.53M for Strategy development in FY 2025-26; does not include Strategy Implementation (which has yet to be envisioned)	BAWSCA initiated its first regional long-term planning effort in 2009, which was completed in 2015. BAWSCA has initiated an update to the Strategy with a planning horizon through 2020, and therefore the work effort is termed Strategy 2050. A Scope of Work for Strategy 2050 is being developed in FY 2023-24, and the development of Strategy 2050 will begin in FY 2024-25. Development of Strategy 2050 will be completed by the end of fiscal year 2025-26. Costs for implementing Strategy 2050 will not be known until that time.
Expand efforts to monitor SFPUC’s development of its Alternative Water Supply Program that will result in the implementation of water supply projects to meet its level of service requirements, including the multiple projects necessary to address Bay Delta Plan impacts ¹	\$122K	\$122K	\$122K thru 2028; additional costs associated with specific projects would be determined following AWS Plan adoption by the SFPUC.	<p>The Alternative Water Supply Plan is intended by the SFPUC to be a decision-support framework document that outlines guiding principles, delivery goals (LOS), priorities, risks and tradeoffs to help the Commissioners determine how projects should continue to progress into the preliminary design and CEQA phase and beyond. The final plan will be provided to the SFPUC Commission and made public in March 2024. The SFPUC will embark upon project-level CEQA for select projects following plan adoption, and moreover be ready for a decision relative to making interruptible customers permanent by 2028.</p> <p>BAWSCA will be engaged with the SFPUC in FY 2024-25 as the Plan begins its’ implementation phase. From a cost perspective, much of the work will involve BAWSCA staff vs. support from consultants. However, some consultant support is envisioned for evaluating the water supply benefits of respective projects.</p> <p>Included in BAWSCA’s work effort is active engagement and review and comment on the Plan Annual Reports prepared by the SFPUC.</p>

<p>Support Member Agencies on the development of their respective Urban Water Management Plans (UWMP), which the State requires be updated once every five years (the date of the last update was June 2021)</p>	<p>\$0</p>	<p>\$0K</p>	<p>\$50K (approximate) in FY 2025-26 as needed in support of agency-led UWMP updates (to be submitted to the State by June30, 2026)</p>	<p>The majority of BAWSCA member agencies are required by State Law to prepare an UWMP every five years. The last UWMP updates were due by June 30, 2021. The next UWMP updates are due to the State by June 30, 2026. During the latter portion of FY 2024-25 and into FY 2025-26 as part of the Strategy 2050 development, BAWSCA staff, with the assistance of its technical consultants and legal counsel, will develop language and technical data regarding water supply shortages (from drought period impacts to the SF RWS) and other common regional water resources information. Agencies must rely on BAWSCA for that information, which is a critical component of a complete and robust UWMP.</p>
<p>Complete a Regional Water Demand and Conservation Projections Study (refresh began in FY 2021-22)</p>	<p>\$0K</p>	<p>\$400K</p>	<p>\$250K expended in FY 2025-26 fiscal year; demand projections completed once every five-year period</p>	<p>For water supply planning purposes, as well as in support of each agency’s need to plan for adequate water supply in future years, BAWSCA performs a demand study for the service area once every five years. This work effort is highly detailed and includes projections for several key demand drivers, such as population, zoning plans, etc. BAWSCA’s last demand study was completed in June 2020 with a refresh and sensitivity analysis completed in 2022. BAWSCA intends to initiate work on an updated Demand Study starting in July of 2024. Work will continue through December of 2025. Given the success of the sensitivity analysis conducted as part of BAWSCA efforts in 2022, a sensitivity analysis will be a part of the 2025 demand study completed by BAWSCA. Costs estimated are based on bids by interested consultants.</p>

Table 6. Preliminary FY 2024-25 Operating Budget by Major Expenditure Category

Cost Category	Approved FY 2023-24 Budget (\$) ⁽¹⁾	Preliminary FY 2024-25 Budget (\$)	Change from FY 2023-24 Budget (\$)
Consultants/ Direct Expenditures			
Reliability	1,714,552	1,956,550	241,998
Fair Pricing	272,500	289,500	17,000
Administration	175,000	140,000	(35,000)
<i>Subtotal Consultants</i>	2,162,052	2,386,050	223,998
Administration			
Employee Salaries & Benefits	2,231,542	2,384,410	152,868
Other Post-Emp. Benefits (net)	78,000	80,000	2,000
Operational Expenses	501,250	520,750	19,500
<i>Subtotal Administration</i>	2,810,792	2,985,160	174,368
Total Operating Expenses	4,972,844	5,371,210	398,366
Capital Expenses	5,000	5,000	0
Budgeted Contingency	2,500	57,500	55,000
Regional Financing Authority	2,025	2,025	0
Bay Area Water Users Assn.	1,050	1,050	0
Grand Total Operating Budget	4,983,419	5,436,785	453,366

Note: (1) The approved FY 2023-24 budget and funding plan reflects the changes approved by the Board on November 16, 2023 and January 18, 2024.

Table 7. Analysis of Funding Options

	FY 2023-24	FY 2024-25		
Fund Source	Adopted Funding Plan as of 01/18/2024	Option 1 Preliminary Work Plan & 3% Assessment Increase	Option 2 Preliminary Work Plan & 5% Assessment Increase	Option 3 Preliminary Work Plan & 12.4% Assessment Increase
Assessments	\$4,838,897	\$4,984,064	\$5,080,842	\$5,436,785
Transfer from/(to) General Reserve	\$144,522	\$452,721	\$355,943	\$0
Total Available Operating Budget/Funds	\$4,983,419	\$5,436,785	\$5,436,785	\$5,436,785
Potential End of FY23-24 Transfer to General Reserve		\$0	\$0	\$0
Estimated Year-End Reserves ⁽¹⁾	\$1,543,390	\$1,090,669	\$1,187,447	\$1,543,390
General Reserve to Budget Ratio	31%	20%	22%	28%
Assessment to Budget Ratio	97%	92%	93%	100%

APPENDICES

Appendices A through J present additional detail about the preliminary FY 2024-25 Work Plan and Operating Budget.

Appendix A: Uses of Professional Services

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

1. Professional engineering services for: a) evaluating and monitoring SFPUC's Asset Management Program; b) evaluating and monitoring SFPUC's 10-Year Capital Improvement Program development and implementation; c) evaluating Water System Improvement Program project scopes during design and construction; d) monitoring WSIP project cost estimates, bids and schedules; e) monitoring and assessing San Francisco's performance in implementing the overall WSIP; f) assessing San Francisco's method for cost estimation, application of contingencies and addressing cost inflation during the WSIP; g) providing specific constructive recommendations for keeping the WSIP on or ahead of schedule; h) analyzing hydraulic records used by San Francisco in setting the wholesale water rates; and g) providing as needed groundwater technical assistance.
2. Water resources analysis and planning services to: a) evaluate potential water supply projects using BAWSCA's new regional water supply reliability modeling tool; and b) support BAWSCA member agency efforts to meet the new State of California "Making Water Conservation a Way of Life" requirements.
3. General legal services for BAWSCA and the RFA; specialized legal services to support administration of the Water Supply Agreement; specialized legal services for addressing matters related to water supply reliability including Restore Hetch Hetchy litigation, Bay Delta Plan Update, and FERC intervention. Legal counsel provides significant value to BAWSCA and its member agencies in the administration of the WSA given the long-history legal counsel has with BAWSCA and its predecessor agency, BAWUA. Legal counsel also provides historical context to San Francisco City Attorney, SFPUC staff, and Water Management Representatives. For example, legal counsel routinely provides critical historical legal, contractual, and other information related to BAWSCA, its member agencies, the Water Supply Agreement, and the Regional Water System. Table A-1 below provides a history of legal counsel's budget for the past 10 years.
4. Strategic counsel for identifying and addressing strategic and political issues associated with maintaining the progress of the Water System Improvement Program, assisting the Board and the CEO in developing and implementing an effective policy making process that supports implementation of the Long-Term Reliable Water Supply Strategy, providing legislative and political support, and providing advice to the CEO and the Board on other issues significant to the water customers and the effectiveness of the agency. Historically, Strategic counsel has provided long-term continuity for BAWSCA and its work to the benefit of the water users. As BAWSCA seeks the services of a new Strategic counsel, it is anticipated that BAWSCA will endeavor to recreate that long-term relationship that will continue to provide the benefit of historical context and continuity.
5. Financial advisory services to conduct specified capital financing and rate impacts analyses on a task order basis.
6. Accounting/auditing expertise to assist with implementing the Water Supply Agreement, as well as an independent auditor to prepare and review annual financial

statements. The services provided by BAWSCA’s accounting/auditing expert are critical to BAWSCA’s work in successfully overseeing the WSA and the associated auditing role that BAWSCA plays to the financial benefit of the member agencies and their customers. BAWSCA strives to develop a long-term relationship with its accounting/auditing expert to ensure the best possible outcome for the member agencies and their customers given the complexity of the WSA and the nature of the auditing activity.

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

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

Table A-1. Historical Legal Counsel Contract Amounts

Fiscal Year	Contract Amount	% of Total BAWSCA Operating Budget
2014-15	\$624,000	21%
2015-16	\$586,500	18%
2016-17	\$726,000	21%
2017-18	\$669,000	18%
2018-19	\$919,000	21%
2019-20	\$819,000	18%
2020-21	\$1,006,500	23%
2021-22	\$748,499	16%
2022-23	\$856,499	18%
2023-24	\$891,000	18%
2024-25	\$832,000 <i>(preliminary)</i>	15% <i>(preliminary)</i>

Appendix B: History of Salary and Benefits Adjustments

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

- FY 2014-15: The Board approved a 2.60 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.

- FY 2015-16: The Board approved a 2.09 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2016-17: The Board approved a 3.15 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2017-18: The Board approved a 3.025 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2018-19: The Board approved a 3.084 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2019-20: The Board approved a 4.398 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2020-21: The Board approved a 3.01 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2021-22: The Board approved a 2.15 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2022-23: The Board approved a 5.52 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2023-24: The Board approved a 4.63 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.

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

The preliminary FY 2024-25 budget for BAWUA is \$1,050 and includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2024-25 Operating Budget.

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

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the RFA, at least until it becomes more actively involved and requires significant resources. Assuming a continued low level of activity in FY 2024-25, including only one planned meeting, the preliminary RFA budget is \$2,025. This budget amount includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA preliminary FY 2024-25 Operating Budget. The RFA will formally consider and adopt this budget in January 2025.

Appendix E: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA’s subscription water conservation programs. The staff time to be devoted to those programs for FY 2024-25 is estimated to be 1,807 hours. Agencies participating in subscription programs pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are included in the Operating Budget and will be repaid to BAWSCA by participating agencies over the course of FY 2024-25.

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

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

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

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
FY 2018-19			
EarthCapades	\$66,500	\$2,480	
Free Sprinkler Nozzles	\$364		
HET		\$2,495	
Large Landscape Audit	\$94,900	\$1,184	
Lawn Be Gone		\$1,200	
Lawn Be Gone Inspections	\$2,420		
Water Wise Ed. Kits	\$75,483	\$1,946	
Watersense Giveaways	\$5,672		
WaterSmart Reports	\$288,081		
Rain Barrel Rebate	\$757		
Water Loss Program	\$128,403		
Total	\$662,580	\$9,305	\$0
FY 2019-20			
EarthCapades	\$79,720	\$2,960	
HET		\$1,600	
Large Landscape Audit	\$110,652	\$1,332	
Lawn Be Gone		\$880	
Lawn Be Gone Inspections	\$1,018		
Water Wise Ed. Kits	\$51,397	\$1,370	
Watersense Giveaways	\$4,382		
WaterSmart Reports	\$216,429		
Rain Barrel Rebate	\$900	\$200	
Water Loss Program	\$215,917		

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
Customer Meter Testing	\$4,570		
Smart Controller Rebate		\$1,200	
Total	\$686,185	\$8,342	\$0
FY 2020-21			
EarthCapades	\$95,515	\$2,200	
Large Landscape Audit	\$132,833	\$1,332	
Lawn Be Gone		\$360	
Lawn Be Gone Inspections	\$1,958		
Water Wise Ed. Kits	\$46,834	\$1,272	
Watersense Giveaways	\$2,902		
WaterSmart Reports	\$274,276		
Rain Barrel Rebate	\$400	\$390	
Water Loss Program	\$125,475		
Customer Meter Testing	\$17,280		
Smart Controller Rebate		\$1,600	
DSS Support Services	\$12,311.75		
Total	\$711,384	\$5,554	\$0
FY 2021-22			
EarthCapades	\$87,275	\$3,020	
Large Landscape Audit	\$169,697.50	\$1,628	
Lawn Be Gone		\$960	
Lawn Be Gone Inspections	\$3,234		
Water Wise Ed. Kits	\$68,018.51	\$1,621	
Watersense Giveaways	\$14,732.28		
WaterSmart Reports	\$293,124.64		
Rain Barrel Rebates	\$1,840	\$485	
Water Loss Program	\$239,366		
Customer Meter Testing	\$20,390		
Smart Controller Rebate		\$1,800	
DSS Support Services	\$0		
Irrigation Hardware Rebate		\$50	
Total	\$897,677.93	\$9,564	\$0
FY 2022-23			
EarthCapades	\$115,395	\$4,040	
Large Landscape Program	\$165,431	\$1,924	
Lawn Be Gone		\$1220	
Lawn Be Gone Inspections	\$3,422		
Water Wise Ed. Kits	\$79,327	\$1,810	
Watersense Giveaways	\$5,954		
WaterSmart Reports	\$356,505		
Rain Barrel Rebates	\$1,580	\$425	
Water Loss Program	\$167,525		
Customer Meter Testing	\$8,893		
Smart Controller Rebate		\$1,650	

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Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
DSS Support Services	\$0		
Irrigation Hardware Rebate		\$90	
Total	\$904,032	\$11,159	\$0

Appendix G: Value for the Cost

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

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

Fiscal Year	Est. Annual Cost Per Person	Est. Annual Cost Per Household
2014-15	\$1.70	\$5.11
2015-16	\$1.84	\$5.51
2016-17	\$1.96	\$5.88
2017-18	\$2.08	\$6.24
2018-19	\$2.34	\$7.02
2019-20	\$2.50	\$7.51
2020-21	\$2.20	\$6.59
2021-22	\$2.58	\$7.75
2022-23	\$2.56	\$7.68
2023-24	\$2.93	\$8.79
2024-25	\$2.91 <i>(preliminary)</i>	\$8.72 <i>(preliminary)</i>

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

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

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

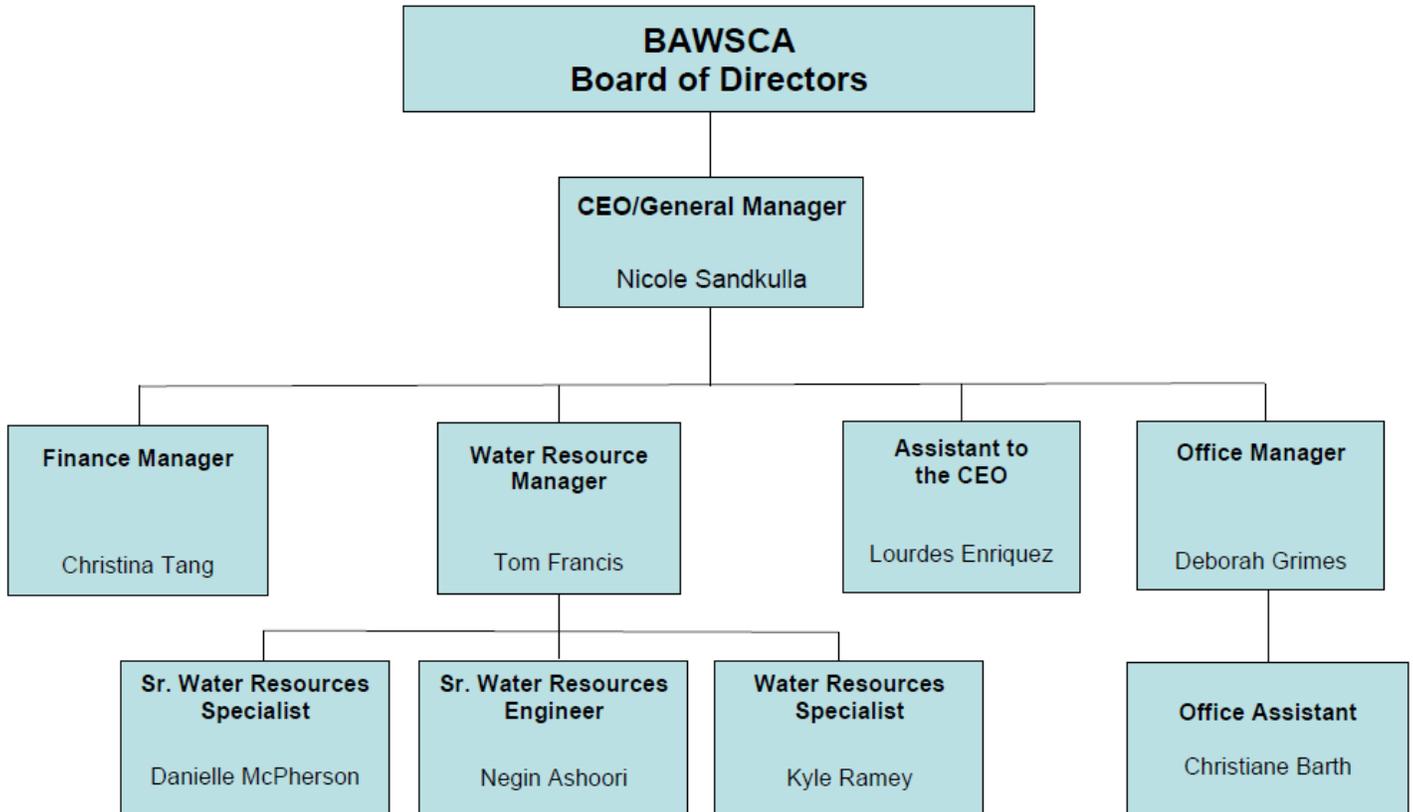
Table H-1. Savings Resulting from BAWSCA’s Annual WRR Review

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

Appendix I: Current Organization and Staffing

The figure below represents the current reporting relationships in the organization

BAWSCA Organization Chart



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

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

Table J-1 lists these activities as they were updated as part of the FY 2024-25 Work Plan development. In each case, the results identified in Table J-1 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Table J-1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2024-25)
(Recommended Changes Identified in Underline, Blue, Italic Font)

BAWSCA Goal and Associated Challenges		FY 2024-25 (Near-Term)	2025-2040 (Mid-Term)	2040-2065 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability				
1	Protection of member agencies' interests in long-term water supply reliability from the SF RWS and 184 MGD Supply Assurance in light of potential areas of risk, including climate change <u>and its associated impacts including sea level rise</u> , and regulatory challenges, as presented in the Long Term Vulnerability Analysis <u>and other technical studies</u> .	X	X	X
2	Protection of member agencies' interests in SFPUC development and implementation of its Alternative Water Supply Program including oversight of scope, schedule, and budget.	X	X	X
3	Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts, <u>including completion of Updated Demand Projections</u> .	X	X	X
4	Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
5	Support member agencies in their efforts to ensure system reliability during an emergency.	X	X	X
6	Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
7	Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
8	Assist member agencies in complying with the State's expanding regulatory requirements related to water use efficiency and reliability.	X	X	X
9	Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
10	Development of a new Tier 2 Drought Allocation Plan.	X		
Reliable Supply: Ensure Regional Water System Facility Reliability				
11	Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
12	Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
13	Promote emergency resiliency of the SF RWS to protect interests of water customers.	X	X	X
14	Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation, including extension of State oversight (exp. 12/2026) and RFA capability (exp. 1/2030).	X	X	
High Quality Supply & Fair Price: Enforce Water Supply Agreement (WSA)				
15	Enforcement and amendment as necessary, of the WSA to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
16	Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
17	Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.	X	X	X
18	Extension or renegotiation of the WSA before it expires in 2034. The WSA can be extended 2 times, for a period of 5 years each. By December 2031, SFPUC must notify Wholesale Customers of desire to extend contract.		X	X
19	Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Management of Agency				
20	BAWSCA CalPERS pension & OPEB liability management			X
21	Ensure Agency's near-term and long-term resiliency	X	X	X

Appendix K: Historical BAWSCA Operating Budgets and Assessments

BAWSCA's annual Operating Budget is developed to pay for the cost of the annual Work Plan, which is reviewed by the Committee and approved by the Board. Each year, the Work Plan is designed to achieve results that support BAWSCA's three goals – a reliable supply of high-quality water at a fair price – and to implement BAWSCA's purpose as stated in AB 2058. As a special district, BAWSCA is not like a city council or other community agency. BAWSCA is an issue-driven organization that responds to the needs of its member agencies and the water users who pay for BAWSCA's work. BAWSCA uses experienced consultants to limit fixed costs.

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

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

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

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

Fiscal year	Assessments	% Change	Budget	% Change	Audited Expenses	% of Budget Spent	Transfers from WSA Balance Account	Transfers from Reserve	Notes on Transfers from Reserve & WSA Balance Account	Unspent Funds Transfer to Reserve	Year-End Reserve Balance	Reserve as a % of Budget	# of Full Time Authorized Staff	Major New/Increased Work Plan Focus
2014-2015	\$2,642,653	5%	\$2,939,286	-10.39%	\$2,745,822	93.42%		\$296,436	To fund budget	\$198,781	\$225,461	8%	8	Net increase for OPEB, 10yr CIP oversight, increase legal support for Strategy, WSIP legislation
2015-2016	\$3,276,889	24%	\$3,201,679	8.93%	\$2,828,503	88.34%				\$453,246 \$352,378 ⁽¹⁾	\$776,620	24%	8	1st year Strategy implementation thru Operating Budget, 2014 Settlement Agmt.
2016-2017	\$3,440,734	5%	\$3,468,008	8.32%	\$2,934,077	84.60%		\$27,274	To fund budget	\$519,167	\$1,202,592	35%	8	RHH litigation, 2014 Settlement Agmt, 2018 decisions, WaterMAP
2017-2018	\$3,543,957	3%	\$3,704,572	6.82%	\$3,318,544	89.58%		\$160,615	To fund budget	\$253,892	\$1,561,144	42%	8	RHH litigation, Bay-Delta Plan, FERC
2018-2019	\$3,579,397	1%	\$4,278,585	15.49%	\$3,996,082	93.40%		\$321,688	To fund budget	\$0	\$1,115,848	26%	8	RHH litigation, Bay-Delta Plan, FERC to participate in LVE Project and to fund Demand Study
								\$177,500 \$150,000 \$50,000	Los Vaqueros Demand Study To fund budget					HB Amendment - Board approved 3/2019
2019-2020	\$3,686,779	3%	\$4,569,750	6.81%	\$4,116,485	90.08%	\$805,000	\$77,971	To fund budget	\$435,266	\$1,037,877	23%	9	Fund LVE participation, Demand Study, FERC, Bay Delta
2020-2021	\$3,686,779	0%	\$4,163,179	-8.90%	\$3,860,044	92.72%	\$197,000	\$333,900	To fund budget	\$43,727	\$996,743	24%	9	To fund contract increase for legal counsel; increased BAWSCA approved Operating Budget to offset identified approved expenses for BA funds use
								\$142,500	To fund budget					HB Amendment - Board approved 3/2021
2021-2022	\$3,871,118	5%	\$4,783,794	14.91%	\$4,400,215	91.98%	\$275,000	\$281,676	To fund budget	\$124,744	\$758,794	16%	9	To fund Demand Study
							\$71,750		To fund water conservation digital billboards					Board approved 3/17/2022
2022-2023	\$4,838,897	25%	\$4,720,885	-1.32%	\$4,297,922	91.04%	\$75,000	-\$193,012	May 2022 Board approved transfer of \$193,012 GR due to 25% increase in FY 22-23 assessments	\$665,592	\$1,046,550	22%	9	May 2022 Board approved transfer of \$193,012 to GR due to 25% assessment increase.
								\$30,000	Consultant assistance scoping update 2045 strategy					Board approved 1/19/23
								\$56,752	Consultant assistance scoping update 2045 strategy					Board approved 5/18/23
2023-2024	\$4,838,897	0%	\$4,983,419	5.56%				\$112,000	Hanson Bridgett - \$82,000 Tier 2 & \$30,000 Special Projects Member Agency - Board approved 1/18/24					HB 1st Amendment - Board approved 1/18/24

Footnotes

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING

Agenda Title: **BAWSCA’s Long-Term Reliable Water Supply Strategy 2050**

Summary:

This memorandum is for informational purposes to provide the Board with an update on the current work related to preparing the Scope of Work (SOW) for the Long-Term Reliable Water Supply Strategy 2050 (Strategy 2050).

The SOW for Strategy 2050 is currently being finalized. The SOW is comprised of a number of key tasks and associated subtasks, all of which will be integrated into the workplan for the strategy development. Feedback from both the Board and Water Management Representatives (WMR) has helped guide task and subtask selection for the SOW development.

BAWSCA will finalize the SOW for Strategy 2050 this fiscal year. The current schedule anticipates Board consideration of the recommended action for consultant selection and funding for the development of Strategy 2050 at its July 18, 2024 meeting.

Recommendation:

This item is for information and discussion purposes only. No action is requested at this time. Feedback from the Board regarding the finalization of the SOW for Strategy 2050 are welcome.

Discussion:

Beginning in December of 2023, BAWSCA staff began the development of the SOW for Strategy 2050. That SOW includes defined primary tasks and subtasks which were shared with the Board and WMR in January 2024. The draft SOW was shared with the BAWSCA WMR on March 1, 2024, with edits received by March 15, 2024. All of the tasks and subtasks within the SOW tie directly back to the proposed purpose and objectives of Strategy 2050.

Input received at the WMR workshops and Board meetings has been helpful in the development of the Strategy 2050 SOW.

Additional details related to the Strategy 2050 SOW development will be presented to the Board at its upcoming meeting. Suggestions and comments as to how to adjust or expand the SOW are welcome.

Progress continues on the work effort, and moreover BAWSCA is on schedule to complete the SOW, budget and schedule for Strategy 2050 by Spring 2024. The cost for the development of Strategy 2050 will not be included in the preliminary FY 2024-25 Operating Budget as it will be a separate action by the Board to consider the use of the Water Management Charge. The current schedule anticipates Board consideration of the recommended action for consultant selection and funding for the development of Strategy 2050 at its July 18, 2024 meeting.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

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

Summary:

The Tier 2 Plan (Plan) lead negotiators continue to make progress negotiating an updated Plan. At the February 12, 2024 workshop, the lead negotiators made significant progress on major elements of the Plan. At the March workshop, the negotiators made additional incremental progress on the few minor outstanding elements of the Plan.

At the January Board meeting, BAWSCA outlined a planned schedule for Calendar Year 2024. The lead negotiators are aware of this schedule and had a lengthy discussion in March about the path forward to meet this timeline.

As shared with the Board in January, given that the existing Tier 2 Plan expires on December 31, 2024, the lead negotiators will need to finalize the updated Plan by June of this year to allow for the approximately six-month process for all agency governing bodies to adopt the Plan. BAWSCA is confident that the lead negotiators can achieve these milestones.

However, BAWSCA is also preparing a contingency plan for the possibility that this completion schedule is delayed. If it appears that progress in the negotiations stall, BAWSCA will begin providing more detailed updates to the BPC and Board such that the Board can make a decision by November 2024 on whether to extend the existing Tier 2 Plan or adopt a new one so that a Plan is in place in the event that the SFPUC declares a water shortage emergency.

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 this fiscal year and the fiscal year that preceded it, 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.

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	Dec-23	Jan-24	Feb-24	Mar-24
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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MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: March 15, 2024
SUBJECT: Chief Executive Officer/General Manager’s Letter

SFPUC Alternative Water Supply Plan:

On February 27, 2024, the SFPUC published the Final Alternative Water Supply Plan (AWS Plan). The AWS Plan describes the SFPUC’s planning framework for developing alternative water supplies and guides the priorities as SFPUC staff continue to advance dry year supply projects to ensure the SFPUC can meet its adopted Level of Service Goals. It is intended to be a reference document that will be updated periodically. BAWSCA supports the AWS Plan and sees it as a necessary resource. The AWS Plan can be viewed and downloaded at this link:

<https://sfpuc.sharefile.com/share/view/s55645f9c5cd3420cbf2b8e0e7be1db95>

The SFPUC began the development of the written AWS Plan in late 2022. In the Spring of 2023, the SFPUC provided BAWSCA with earlier drafts of key sections of the document for review. In addition, BAWSCA’s member agencies were also engaged on key elements of the document. A draft of the AWS Plan was published on June 28, 2023. Following the release of the Draft, the SFPUC provided a presentation to the BAWSCA Board at its July 20, 2023 meeting. Comments on the Draft AWS Plan were due to the SFPUC by August 31, 2023. SFPUC staff received fourteen comment letters, including one from BAWSCA. Comment letters received, along with SFPUC responses, are included in Appendix D of the Final AWS Plan.

In addition to periodic AWS Plan updates, SFPUC staff intend to continue to provide progress reports to the Commission annually on the AWS Program, and moreover intend to continue to engage with BAWSCA as the AWS Plan is implemented.

SFPUC Water System Improvement Program Notice of Change:

The SFPUC has issued a formal notice of a public hearing to be held on April 9, 2024, for the purpose of considering proposed revisions to the Water System Improvement Program (WSIP) in compliance with State law, AB 1823 (Papan, 2002). This is referred to as a “Notice of Change” or NOC. BAWSCA anticipated this NOC due to documented delays in the completion of the remaining WSIP projects.

The SFPUC last adopted a WSIP NOC on April 26, 2022. That NOC included revisions to WSIP project schedules, budgets and scopes. In addition, it extended the WSIP completion date to February 1, 2027. The overall WSIP program budget did not change, remaining at \$4,787.8M. As of January 2024, the primary WSIP projects that remain are the Alameda Creek Recapture Project and the Regional Groundwater Storage and Recovery Project, both of which are designed to provide a dry-year water supply yield to the Regional Water System.

During early 2024, the SFPUC reviewed the status of the remaining WSIP projects and analyzed the forecasted scopes, schedules, and budgets for each project. The recommended action from that review is for the SFPUC to adopt the proposed WSIP revisions documented in the NOC.

The NOC does not propose altering the overall WSIP scope. The most significant proposed change to the WSIP is the extension of the overall program completion date from February 1, 2027, to June 30, 2032. There is also a \$5M budget increase, resulting in an overall program forecast cost change from \$4,787.8M to \$4,792.8M.

BAWSCA has initiated a review of the proposed NOC and intends to prepare comments. The BAWSCA Board will be kept apprised of this matter as the NOC process progresses.

SFPUC 10-Year Capital Plan & 10-Year Financial Plan:

On February 13, 2024, the SFPUC Commission adopted a 10-Year Capital Plan and a 10-Year Financial Plan for FY 2024-25 through FY 2033-34. The links to both documents are provided below. BAWSCA closely reviewed the SFPUC’s Water Enterprise and Hetch Hetchy Enterprise 10- Year Capital Plans and provided written comment, which included six findings and five recommendations to the Commission. A copy of this letter was included in the February 14, 2024 Board Policy Committee agenda correspondence packet. [Click here](#) to retrieve the February 14th BPC Correspondence Packet.

BAWSCA has invited Mr. Steve Ritchie, Assistant General Manager of Water Enterprise, to address the 10-Year Capital Plan at BAWSCA’s March Board meeting.

As part of the 10-Year Financial Plan, Table 3 on page 7 summarizes the projected rate adjustments required by the new budgets and to comply with all financial policies. A copy of the summary table is provided below. BAWSCA closely monitors the SFPUC’s 10-Year Financial Plan and wholesale rate making process to ensure compliance with the WSA.

Web link to access the SFPUC’s recently adopted 10-Year Capital Plan:
<https://sfpub.sharefile.com/share/view/sd7581b5004024846be0faf5baad59646>

Web link to access the SFPUC’s recently adopted 10-Year Financial Plan:
<https://sfpub.sharefile.com/share/view/se20b288c6c5241278bd916075634a8fa>

Table 3: Adopted () and Forecasted Rate Changes, FY 2024-25 through FY 2033-34*

Enterprise	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 3030	FYE 2031	FYE 2032	FYE 2033	FYE 2034	Annual Avg.
Retail Water	5.0%*	5.0%*	5.0%	5.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	4.1%
Wholesale Water	7.7%	4.5%	2.6%	8.2%	3.1%	2.1%	0.3%	0.0%	3.5%	3.4%	3.5%
Wastewater	9.0%*	9.0%*	12.0%	12.0%	11.0%	10.0%	10.0%	10.0%	7.0%	7.0%	9.7%
Hetch Hetchy Power¹	14.0%	10.0%	9.0%	9.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	6.3%
CleanPowerSF Generation²	12.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%

¹ Hetch Hetchy Power rates shown are for retail, non-municipal customers.

² CleanPowerSF rate increases refer to the generation portion of the bill. CleanPowerSF customers also pay PG&E delivery charges and fees. A 12.0% generation rate increase represents an approximate 5% total bill increase

SFPUC FY 2024-25 Wholesale Water Fixed Charge Study:

In accordance with the WSA requirements for a potential change in the wholesale rate structure, on February 2, 2024, the SFPUC Finance Planning distributed the FY 2024-25 Wholesale Water Fixed Charge Study to BAWSCA and its member agencies for a required 60-day review prior to possible consideration by the Commission of a wholesale rate structure change. The Study includes proposed rate structure changes to the fixed monthly service charge currently included as part of the SFPUC's wholesale water rate structure, beginning July 1, 2024. [Click here](#) for a copy of the Study.

BAWSCA has carefully reviewed the Study and is concerned about the methodology used that may set a precedent in future wholesale rate structure changes. BAWSCA has met with the SFPUC Finance Planning to understand the drivers of the proposed changes, and discussed the concerns with the Water Management Representatives earlier this month. BAWSCA is working closely with Legal Counsel to prepare a formal letter with comments on the Study and to propose an alternative plan to address the SFPUC's immediate need without changing the existing fixed charge schedule. Additionally, CEO Sandkulla is working closely with both legal counsel and its accounting/auditor expert to understand the potential implications of this unanticipated issue on their FY 2023-24 budgets and anticipated end of year expenditures. Further updates will be provided as necessary.

BAWSCA Wholesale Revenue Requirement Review for FY 2021-22:

Pursuant to Section 7.06A of the Water Supply Agreement (WSA), BAWSCA conducted its review of SFPUC's calculation of the annual Wholesale Revenue Requirement (WRR) and the changes in the balancing account for FY 2021-22. As a result of the review, BAWSCA sent some questions to the SFPUC on March 1, 2024. BAWSCA is waiting for the SFPUC's response. The deadline for the parties to enter into a settlement agreement for FY 2021-22 or for the wholesale customers to file a demand for arbitration on any unsolved issues is January 3, 2025.

WSA Balancing Account Update:

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

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

Per the SFPUC's latest update provided in February 2024, the unaudited 6/30/2023 balance of the Balancing Account is \$9.7 million owed by the Wholesale Customers and the estimated 6/30/2024 balance is \$19.4 million owed by the Wholesale Customers as a negative amount. The SFPUC plans to bring the Balancing Account balance closer to zero by the end of FY 2024-25 through the proposed increased wholesale water rates.

On September 17, 2020, the Board adopted Resolution No. 2020-02 establishing a Balancing Account Policy that guides any action by the Board in justifying the allocation of the positive balance in the Balancing Account for the purposes allowed by the WSA other than rate stabilization. Given the current negative balance in the Balancing Account, no further analysis is needed at this time.

Water Use Efficiency Standard Rulemaking Update:

The Water Resources Control Board (Water Board) released revised regulations on March 12, 2024, to implement new water use efficiency standards. The rulemaking process began in August 2023 and is expected to become final in Summer 2024. The Water Board will hold a public workshop on March 20, 2024, to hear staff presentations on the revised language and take public comment. The second written public comment period ends on March 27, 2024, 15 days after the revised regulations were made public.

BAWSCA is reviewing the new language and will remain engaged in public and other meetings to understand the impacts to BAWSCA members. The new information will also be used to inform BAWSCA's joint project with Valley Water to develop resources to support member agencies with understanding and complying with the new requirements.

BAWUA Appointment to the San Francisco Revenue Bond Oversight Committee:

In 2002, the San Francisco voters adopted a Charter amendment that established the seven-member Public Utilities Revenue Bond Oversight Committee (RBOC). One member of the RBOC is required to be appointed by the governing body of the Bay Area Water Users Association (BAWUA), BAWSCA's predecessor entity.

The RBOC provides independent oversight to ensure transparency and accountability by monitoring the expenditure of revenue bonds issued by the SFPUC. The goal of the RBOC is to ensure that SFPUC revenue bond proceeds are spent for their intended purposes in accordance with legislative authorization and other applicable laws.

Ms. Christina Tang recently resigned as BAWUA's representative to the RBOC after serving two full terms. At the same time, Ms. Abby Veeseer was appointed as BAWUA's representative on the RBOC, effective February 22, 2024, by CEO Sandkulla, who also serves as the President for BAWUA. Ms. Veeseer currently serves as the Deputy/Assistant Director of Finance and Administrative Services for the City of Daly City.

Status of BAWSCA Board Meeting Format Changes:

BAWSCA continues its progress towards successfully livestreaming its Board and Policy Committee meetings. BAWSCA and its technical consultants, MCTV, continue to troubleshoot the ability to livestream meetings at the Burlingame Community Center, which is the Board's adopted meeting location. A continuing challenge is the fact that BAWSCA does not own or operate its own meeting chambers. BAWSCA meetings are held in rented venues large enough to accommodate a 26-member dais set up. Additionally, a vendor must be hired to provide audio, and for livestreaming, visual and streaming connectivity.

BAWSCA is continuing to work with MCTV to acquire secure livestreaming capabilities without imposing system vulnerabilities on Burlingame's network infrastructure, or any other venue infrastructure that might be used as alternative locations for BAWSCA's future meetings. The Board leadership will be kept apprised of the developments. The current goal is for the upcoming April BPC to be livestreamed.

Board of Directors Policy Calendar Through January 2025

Meeting Date	Purpose	Issue or Topic
May 2024	D&A R&D R&D R	Consideration of Proposed FY 2024-25 Work Plan and Budget Tier 2 Drought Allocation Plan Negotiations BAWSCA's Strategy 2050 Review of Water Supply Forecast
July 2024	D&A R&D R&D R&D	BAWSCA's Strategy 2050 Review of CEO/GM Evaluation Procedure Tier 2 Drought Allocation Plan Negotiations SFPUC Alternative Water Supply Program Update
September 2024	D&A R&D R&D	CEO/General Manager Performance Evaluation Tier 2 Drought Allocation Plan Negotiations BAWSCA's Strategy 2050
November 2024	D&A D&A R&D	Annual Review & Consideration of BAWSCA's Statement of Investment Policy Tier 2 Drought Allocation BAWSCA's Strategy 2050
January 2025	D&A D&A	Mid Year Work Plan, Budget and General Reserve Review Proposed FY 2025-26 Bond Surcharges

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

Meeting Schedule through June 2025

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – March 21, 2024	Burlingame Community Center – Sequoia Room
Thursday – May 16, 2024	Burlingame Community Center – Sequoia Room
Thursday – July 18, 2024	<i>Foster City Community Building – Wind Room</i>
Thursday – September 19, 2024	Burlingame Community Center – Sequoia Room
Thursday – November 21, 2024	Burlingame Community Center – Sequoia Room
Thursday – January 16, 2025	Burlingame Community Center – Sequoia Room
Thursday – March 20, 2025	Burlingame Community Center – Sequoia Room
Thursday – May 15, 2025	Burlingame Community Center – Sequoia Room

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 16, 2025	Burlingame Community Center – Sequoia Room

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
<u>Date</u>	<u>Location</u>
Wednesday, February 14, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, April 10, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, June 12, 2024	<i>San Mateo Library – Oak Room</i>
Wednesday, August 14, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, October 9, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, December 11, 2024	Burlingame Community Center – Sequoia Room B
Wednesday, February 12, 2025	Burlingame Community Center – Sequoia Room B
Wednesday, April 9, 2025	Burlingame Community Center – Sequoia Room B
Wednesday, June 11, 2025	Burlingame Community Center – Sequoia Room B

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