



**NOTICE OF
SPECIAL MEETING
of the
BOARD POLICY COMMITTEE**

on December 11, 2024 at 1:30PM

**Burlingame Community Center – Sequoia Room
850 Burlingame Ave., Burlingame**

with

*One (1) member of the Committee participating in this meeting by
teleconference at the following location:*

392 West Pacific Ave. San Francisco, CA 94118

If you have any questions, please call the
BAWSCA office at (650) 349-3000.

See next page for Agenda



**SPECIAL MEETING of the
BOARD POLICY COMMITTEE**

**December 11, 2024
1:30 p.m.**

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

[CLICK HERE TO VIEW LIVESTREAM](#)

One member of the Committee will participate in this meeting by teleconference at the following location: 392 West Pacific Ave. San Francisco, CA 94118. When any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.

AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Hardy)	<i>Pg 3</i>
2. <u>Comments by Chair</u>	(Hardy)	
3. <u>Consent Calendar</u> A. Approval of Minutes from the October 9, 2024 meeting (<i>Attachment</i>)	(Hardy)	<i>Pg 5</i>
4. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of two (2) minutes.</i>	(Hardy)	
5. <u>Action Calendar</u> A. Proposed Fiscal Year 2025-26 Bond Surcharges (<i>Attachment</i>) <u>Issue:</u> How much will the bond surcharges be for FY 2024-25? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed FY 2025-26 bond surcharges as presented in the staff memorandum.	(Tang)	<i>Pg 19</i>
B. Mid-Year 2024-25 Work Plan, Budget and General Reserve Review and Recommended Changes (<i>Attachment</i>) <u>Issue:</u> What resources are needed to address necessary work plan additions critical to ensuring reliable supply of high-quality water at a fair price? <u>Information to Committee:</u> Staff memo and oral report. <u>Committee Action Requested:</u> Comments and feedback.	(Smegal)	<i>Pg 25</i>

6. **CEO Reports** (Smegal)
- A. Bay Delta Plan/FERC Update
 - B. New Tier 2 Drought Allocation Plan Update
 - C. Review of FY 2025-26 Work Plan and Operating Budget Preparation Process
 - D. CEO's Letter (*Attachment*) Pg 43
 - E. Board Policy Committee Calendar (*Attachment*) Pg 45
 - F. Correspondence Packet ([Under Separate Cover](#))

7. **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 (Third Appellate District Court Case No. C101232).

8. **Report from Closed Session** (Schutte)

9. **Comments by Committee Members** (Hardy)

10. **Adjournment to the Next Meeting** (Hardy)

February 12, 2025 at 1:30pm

Accessibility for Individuals with Disabilities

Upon request, BAWSCA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least two days before the meeting. Requests should be emailed to bawsca@bawsca.org or submitted by phone at 650-349-3000. Requests will be granted whenever possible and resolved in favor of accessibility.



BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

2024 Committee Roster:

Karen Hardy, City of Santa Clara (Chair)
Leslie Marden Ragsdale, Hillsborough (Vice Chair)
Thomas Chambers, Westborough Water District (BAWSCA Chair)
Maria Doerr, City of Menlo Park
Darin Duncan, California Water Service Company
Barbara Pierce, City of Redwood City
Ann Schneider, City of Millbrae
Louis Vella, Mid-Peninsula Water District (BAWSCA Vice Chair)
Tom Zigterman, Stanford University

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE
October 9, 2024 – 1:30 p.m.

MINUTES

1. **Call to Order:** Committee Chair, Karen Hardy, called the meeting to order at 1:31pm. CEO/General Manager, Nicole Sandkulla called the roll. Seven members (7) of the Committee were present with one member participating via teleconference in accordance with the traditional Brown Act rules. A list of Committee members who were present (7), absent (2), and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Hardy clarified that while the meeting is being livestreamed with one Committee member participating via teleconference in accordance with the traditional Brown Act, the meeting is not a hybrid meeting. All public comments shall be made in-person, or from the teleconferencing location. Accordingly, all committee actions require a roll call vote.

3. **Consent Calendar:**

Director Chambers made a motion, seconded by Director Schneider, that the Committee approve the Minutes of the June 12, 2024 Board Policy Committee meeting.

The motion passed unanimously by roll call vote.

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

4. **Public Comments:** There were no public comments.

5. **Action Calendar:**

- A. Adoption of Resolution #2024-03 Approving the Extension of the 2021 Amended and Restated Tier 2 Drought Response Implementation Plan: BAWSCA Sr. Water Resources Specialist, Danielle McPherson, reported on the item. She reminded the Committee that shortages on the San Francisco Regional Water System (RWS) are governed by two plans. The Tier 1 Plan is the method of allocating RWS supplies between San Francisco’s Retail Customers and the Wholesale Customers collectively. The Tier 2 Plan is the method that allocates RWS supplies among the 26 wholesale customers. These two Plans apply only during system-wide shortages of 20% or less caused by drought.

The Water Supply Agreement between San Francisco and the Wholesale Customers provides that the San Francisco Public Utilities Commission (SFPUC) will honor the Tier 2 allocations that are unanimously agreed to by the Wholesale Customers.

As a reminder, Ms. McPherson noted that the current Tier 2 Plan was adopted in 2011 and was originally set to expire in 2018 to align with decisions the SFPUC had

planned to make. The Board has extended the current Tier 2 Plan on a one-year basis each year since 2018 until an update to the Tier 2 Plan was developed. State regulatory matters, including the development of new water-use efficiency legislation, were expected to have impacts on agencies and therefore the update was postponed until more information from the State was available.

In January 2022, the Water Management Representatives and BAWSCA initiated negotiations of an updated Tier 2 Plan. As previously reported, Ms. McPherson was pleased to inform the Committee that the 26 member agencies came to an agreement on an updated Tier 2 Plan at the June 2024 Tier 2 workshop.

There are agencies whose governing bodies are scheduled to begin adopting the updated Plan possibly as early as December, however, the adoption process for all 26 agencies is expected to take approximately six (6) months.

The Committee was presented with a recommendation to extend the existing Tier 2 Plan for one year to ensure an allocation plan is in place, should the SFPUC declare a shortage while the unanimous adoption of the updated Tier 2 Plan by the agencies is in process. The extension to the existing Tier 2 Plan contains language that clarifies that the updated Tier 2 Plan will replace the existing Tier 2 Plan once it is unanimously approved by all 26 member agencies.

Ms. McPherson reported that in addition to the updated Tier 2 Plan, the agencies have agreed to an amendment to the WSA that includes 1) an update to certain elements of the Tier 1 Plan, and 2) addressing the challenges of the minimum purchase requirements.

BAWSCA is working with Legal Counsel to develop the adoption materials for the agencies.

Director Pierce asked for clarification on whether the agencies have agreed on the elements of the Tier 2 Plan as well as the WSA amendment.

Ms. Sandkulla confirmed that the 26 agencies have reached agreement on all elements of the updated Tier 2 Plan. One agency remains in discussions regarding the proposed minimum purchase amendments.

Director Pierce asked if the Board will need to vote in case unanimity is not reached by the agencies.

Ms. Sandkulla explained that the Board can act on the Tier 2 Plan only, but not the WSA amendments.

She noted that, the updated Tier 2 Plan results in greater cutbacks to the minimum purchase agencies. Those agencies have indicated that adjustments to the existing minimum purchase obligations are necessary in order for them to accept the higher cutbacks during drought. The BAWSCA Board does not have authority to act on a WSA amendment. The WSA adoption process and approval threshold for any amendment is prescribed in the WSA.

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

Director Pierce made a motion, seconded by Director Ragsdale, that the Board Policy Committee recommend Board adoption of Resolution #2024-03, extending the term of the 2021 Amended and Restated Tier 2 Plan through December 31, 2025.

The motion passed unanimously by roll call vote.

- B. Annual Review and Consideration of BAWSCA's Investment Policy: BAWSCA Finance Manager, Christina Tang, reported that the Board reviews the Statement of the Investment Policy every year as required by BAWSCA's Investment Policy. The policy applies to all the investment activities under the direction of the agency. The primary objectives, in the order of priority, are safety, liquidity, and yield.

The previous review of the policy was done in May 2023, at which time modifications were made to 1) include a requirement that bank deposits, in excess of the FDIC limit, be collateralized with securities in accordance with State law, and 2) eliminate the maximum deposit limit of \$250,000.

BAWSCA's legal counsel has confirmed that the Statement of the Investment Policy is consistent with current State law.

Ms. Tang noted that unlike other agencies whose investment policy only governs its operating funds, BAWSCA's investment policy includes agency funds and the bond funds.

BAWSCA's investment policy indicates the permitted investments for the bond proceeds held by the Trustee, Bank of New York. Permitted investments for bond proceeds include Federal Securities, US Agency Securities, money market mutual funds, and CD's. Permitted investments for agency funds include state or national banks or state or federal savings associations with offices in California and the Local Agency Investment Fund.

Based on review of BAWSCA's current circumstances, BAWSCA believes that the permitted investments are consistent with BAWSCA's risk tolerance and primary objectives. No changes to the Investment Policy for both the agency funds and bond funds are recommended at this time.

Ms. Tang explained that in the bond proceeds, there is a subset of funds labeled as Stabilization Funds. The Stabilization Funds are a reserve intended to cover the debt service payments in the event of shortfalls in the bond surcharge collection.

A review of the investment strategy for BAWSCA's Stabilization Funds was also performed as part of the annual Investment Policy review.

Ms. Tang reported that despite the Federal Reserve's reduction of interest rates from their highest level in over 20 years, rates in the 0-5 year ranges remain elevated since 2022. BAWSCA's investment strategy for the Stabilization Funds is performing well, and continues to provide important yield curve diversification against both market price and reinvestment rate risks.

As of October 8th, the total bond funds held by the Trustee is \$17,132,713. It is comprised of \$5.0 million in bond surcharges collected from the member agencies to pay for the bi-annual debt service payments. Those funds are kept in a money market fund. There are also \$12.1 million in Stabilization Funds that are invested in US Treasury Securities.

Ms. Tang presented a chart that represents BAWSCA's portfolio maturity distribution as of October 8th. The Stabilization Funds are invested in US Treasury Securities maturing in 6-months intervals to coincide with BAWSCA's debt service payment date throughout the next 5-years. In light of the recent market development, BAWSCA and its investment advisors believe that the current strategy remains appropriate. Longer-maturity strategies have historical benefits of providing greater investment returns over time while protecting the agency against reinvestment rate risks.

Based on BAWSCA's evaluation, the current 0-5 year ladder maturity investment strategy remains appropriate.

Ms. Tang welcomed comments and questions from members of the committee.

Director Ragsdale appreciated that the report included a detailed history of what the Board did over the years. It was helpful information for a new member of the Board.

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

Director Chambers made a motion, seconded by Director Vella, that the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.

The motion passed unanimously by roll call vote.

- C. Creation of Transition Manager Position, Adopting Revised Publicly Available Pay Scale, and Appointing Nicole Sandkulla to the Transition Manager Position: Legal Counsel, Allison Schutte reported that the next three items; #5C, #5D, and #5E, are personnel matters associated with new positions and ensuring that BAWSCA's publicly available pay schedules meet the standards that the California Public Employees Retirement System (CalPERS) requires.

Ms. Schutte noted that item #5C, and the subsequent items, are statutorily driven and therefore have language and procedures that are specific to ensure agency compliance with Government Code.

The creation of a new Transition Manager position was conceptualized by the Ad Hoc Recruitment Committee during their process of hiring a new CEO/General Manager and identifying the timing of when the new hire should start and how long Ms. Sandkulla can stay on to ensure a smooth transition for the agency. Following review of Mr. Smegal's and Ms. Sandkulla's availabilities over the next few months, the idea was solidified as a full-time Transition Manager position for a 1-month period of December 2024. During that time, Ms. Sandkulla will remain a full-time

employee of BAWSCA and will receive the same benefits and compensation for a period of one-month to allow her to work with Mr. Smegal on the December BPC meeting and the budget review process that occurs in the winter.

Director Hardy asked if this was the same process used when Ms. Sandkulla transitioned into the CEO/General Manager position in 2013.

Ms. Schutte explained that because Ms. Sandkulla was an existing employee of BAWSCA, she transitioned with Mr. Jensen in real-time until Mr. Jensen's last day as the CEO/General Manager. Public agencies are not allowed to have two individuals in the same position. Mr. Jensen did, however, serve as Special Counsel to Ms. Sandkulla, which is a similar process to what will be presented to the Committee in the next agenda item.

Directors Shneider, Chambers, Duncan, and Vella expressed their support for the recommendation.

Director Vella noted that other agencies have done the same process to ensure a seamless transition of a key position.

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

Director Schneider made a motion, seconded by Director Vella, that the Board Policy Committee recommend the Board:

- A. Approve creation of the Transition Manager position;**
- B. Approve adding the Transition Manager position to BAWSCA's publicly available pay scale for FY 2024-25; and**
- C. Appoint Ms. Sandkulla to the Transition Manager position effective December 1, 2024.**

The motion passed unanimously by roll call vote.

- D. Resolution Approving the Temporary Appointment of Nicole Sandkulla as Special Counsel to the CEO/GM and Adoption of the Pay Schedule for the Special Counsel Position: Ms. Schutte reported that this item was also considered by the Ad Hoc Committee and is a similar process undertaken by the Board in 2013 to support the transition of Ms. Sandkulla as BAWSCA CEO/General Manager.

Ms. Sandkulla will retire effective December 31, 2024, and because Mr. Smegal is not in-house prior to December 1st, her services and executive strategic advice on projects that are ongoing will continue to be essential. The Ad Hoc Committee wanted to create a position that would be available on an as-needed basis that enables Mr. Smegal to call on Ms. Sandkulla's counsel, as Ms. Sandkulla did with Mr. Jensen.

Because she will be a retired annuitant, there are extremely detailed conditions set by CalPERS to allow the temporary employment of a PERS-covered retiree. Those conditions include:

- No more than 960 hours per fiscal year;

- Salary consistent with the adopted salary range for the most closely related position;
- No other benefit, incentive, or compensation in-lieu of in addition to the hourly rate; and
- If hired within 180 days following retirement, she fills a critically needed position.

In general, retired annuitants are required to have a 6-month break before coming back to an agency to fill a position, unless the Board clearly declares that Ms. Sandkulla's services are needed immediately after her retirement.

Ms. Schutte stated that the requested Committee action is to recommend Board adoption of a resolution that reflects the specified conditions and findings as required by CalPERS.

To clarify the duration, Ms. Schutte stated that the resolution includes a 24-month timeframe, as was done for Mr. Jensen, which was further extended beyond 24-months due to ongoing negotiations with San Francisco at that time.

The need for Ms. Sandkulla to provide further consultation beyond the specified timeframe is unknown, but the Committee recommendation for Board action is for a 24-month period.

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

Director Chambers made a motion, seconded by Director Pierce, that the Board Policy Committee recommend the Board to:

- 1. Adopt Resolution #2024-04 approving the temporary appointment of Nicole Sandkulla to the position of Special Counsel to the CEO/GM,**
- 2. Adopting the pay scale for the Special Counsel position, and**
- 3. Making associated findings in support of such an appointment.**

The motion passed unanimously by roll call vote.

- E. Adoption of BAWSCA Retroactive Pay Schedules for FY 2020-21 to 2023-24 and Pay Schedule for FY 2024-25: Ms. Schutte reported that BAWSCA has had a pay schedule posted on the website for several years, and in the process of Ms. Sandkulla's work on her retirement, it was discovered that CalPERS wanted a separate format for the schedule on BAWSCA's website.

This item is to meet the specific requirements by CalPERS, and the Committee action is to recommend Board approval of existing pay schedules from previous years; FY 2020-21 through FY 2023-24, and the updated pay schedule for FY 2024-25 that includes the new positions previously discussed.

Since the last retirement from BAWSCA was 11 years ago, BAWSCA does not often interact with CalPERS on these matters. The basis for the recommended action is CalPERS' strict requirements which should be followed exactly.

The pay schedules completely line up with the approved operating budget for each fiscal year and the top step salaries that were discussed and approved by the Board. Moving forward, the pay schedule will be a part of the budget process and will be updated twice during the year to coincide with 1) the workplan and budget development that includes employee pay schedules on a fiscal year basis: July 1st through June 30th; and 2) the CEO performance evaluation in September which will include an update to the pay schedule for the CEO.

Director Ragsdale suggested that the staff report to the Board in November should clearly state, perhaps several times and several different ways, that this is not a retroactive pay, and that the pay schedules reflect what has been approved.

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

Director Schneider made a motion, seconded by Director Chambers, that the Committee recommend Board adoption of BAWSCA Retroactive Pay Schedules for FY 2020-21, FY 2021-22, FY 2022-23, FY 2023-24, and Pay Schedule for FY 2024-25.

The motion passed unanimously by roll call vote.

- F. Adoption of Ordinance #2024-01 to Increase Board Member Compensation: Ms. Schutte reported that over the past year and a half, the Board has evaluated whether, or not, to increase Board member compensation. At the September 19th Board meeting, the Board directed Legal Counsel to prepare a revised ordinance to increase Board member compensation up to \$200.

Ms. Schutte noted that the staff report provided to the BPC includes the Notice of Public Hearing and Summary of Ordinance which will be published in accordance with the Government Code, which requires transparency around Board member compensation.

Discussions at the September Board meeting indicated a majority of the Board wanted to bring back an action item to the Board to increase the Board compensation per day of service to \$200, which is the maximum allowable increase using a simple percentage increase calculation. The maximum days of service per month, which is four (4), will remain unchanged. Additionally, the Board wanted a review of Board member compensation every five (5) years included in the Ordinance.

Ordinance #2004-01, Providing for Compensation of Members of the Board of Directors, and the revised proposed Ordinance, both specify that days of service include: meetings of the Board; Committee meetings of the Board; and types of activities, enumerated in an adopted resolution, that constitute service rendered “at the request of the board.”

The Policy on Reimbursement of Directors’ Expenses, Resolution #2006-02 (“Reimbursement Policy”). enumerates many authorized official duties: including, for example, Board and Committee meetings; meetings of multi-agency organizations to

which the director has been appointed as BAWSCA's representative; and attendance by the Chair or Vice Chair to meetings held by the San Francisco Public Utilities Commission or state agencies, such as Department of Water Resources, among others, that require representation by Board leadership. See the [Reimbursement Policy](#) for a complete list.

Ms. Schutte explained that there will need to be a public hearing at the November 21st Board meeting in order for the Board to adopt the revised Ordinance. The public hearing will need to be noticed in a newspaper of general circulation, two times prior to the date of the public hearing. Ms. Schutte also recommends publishing a summary of the new Ordinance in a newspaper after its adoption as the Water Code requires an effective date 60 days from adoption.

If the Board adopts the compensation increase at its November 21st meeting, the earliest effective date for the increase is January 20, 2025.

The Committee action is to direct staff to effectuate a Notice of Public Hearing so that the Board can hold a public hearing at the November 21, 2024 Board meeting to adopt Ordinance #2024-01, increasing Board member compensation to \$200/day for attending meetings and each day of service in accordance with the agency's Reimbursement Policy; and require review of Board member compensation on a five (5) year interval.

Ms. Sandkulla noted that the language of the recommended action provided in the staff memo was revised to what is shown on the slide because as she and Legal Counsel reflected on the item, they agreed that further clarification was needed.

Committee comments and questions were taken following Ms. Schutte's report.

Chair Hardy asked the reason behind using the word compensation instead of stipend, and asked if the compensation includes Ad Hoc Committees or Conferences a Board member is requested to attend.

Ms. Schutte explained that stipend and compensation are used interchangeably in this case; and, generally, the Ordinance specifies attendance at Board meetings, Committee meetings, and service otherwise rendered as a Director at the request of the Board. However, the original Ordinance adopted in 2004, and the revised Ordinance, refer to compensation for the day of service regardless of the number of meetings attended in one day. For example, if there were three meetings a Board member attended for BAWSCA in one day, the compensation will be \$200, not \$600.

To illustrate, the Board Chair typically represents BAWSCA at the ACWA conference. If the Chair is unable to attend, the Chair could request a fellow Board member to attend, in which case, the Board member can receive the \$200 compensation for each day of the conference.

Furthermore, in addition to what is already specified in the Ordinance and Reimbursement Policy, the Chair exercises leadership to determine what requested services will constitute compensable services. Ms. Schutte explained that per the adopted Rules of the Board, the Chair leads the Board for effective management of Board activities given that the Board meets every other month.

Director Schneider commented that she is pleased with what is included in the Ordinance. She noted that a suggestion was made at the September Board meeting for COLA to be included. She supported the notion at the time, but now realizes that it can be quite complicated given how inflation can be unpredictable.

In response to Director Ragsdale's suggestion to clarify the definition of "meetings", Ms. Schutte stated that "meeting", in general, refers to a legally noticed government meeting in accordance with the Brown Act. However, additional non-Brown Act meetings and services may constitute compensable activities. For example, Ad Hoc committee meetings are not Brown Act meetings, but, as meetings that took place at the request of the Chair, it is a "day of service" pursuant to the Ordinance.

Director Ragsdale noted the New Board member briefing meetings are not at the direction of the Chair, and therefore can be misinterpreted as a day of service meeting.

In response, Ms. Schutte suggested recirculating the existing Reimbursement Policy to the Board to remind members of existing authorized activities. Board member compensation and reimbursement of expenses are governed by both the Ordinance for Compensation and the Reimbursement Policy. For example, the proposed Ordinance for Compensation provides that a Board member may receive \$200 for each day of service. Board meetings constitute days of service to the Board and are compensable; furthermore, if Board members incur actual, necessary and reasonable expenses in attending authorized activities, such as Board meetings, they can seek reimbursement under the Reimbursement Policy. She will look into including the Reimbursement Policy as an attachment to the Ordinance item for reference by members of the Board. She noted that although the Reimbursement Policy is long standing, Board members have not generally utilized the Reimbursement Policy as part of the compensation that is available to them.

Additionally, Director Ragsdale inquired if the Board would want to specify a scheduled time for reviewing Board compensation every five (5) years for the sake of regularity. For example, in the first quarter, or in the month of January.

Ms. Sandkulla suggested including it as an item in the Policy Calendar with the flexibility of shifting it within the schedule of the fiscal year, given the mechanics required for the review process.

Director Chambers thanked staff and Legal Counsel for their work in putting together the recommended action, which is exactly what the Board wanted to have done based on discussions at the September Board meeting. He noted that while he believes the Committee should approve the recommended action, the Committee's recommendation is not reflective of how the Board may vote for the item at the November Board meeting. He urged the Board to give serious consideration of how public money should be spent to provide the maximum benefit to the public.

Director Schneider expressed her support for Director Ragsdale's comments about being specific to what types of meetings are compensable to set clear expectations.

Ms. Schutte stated that the proposed Ordinance is written in accordance with the provisions of the Government Code about days of service and meetings at the request of the board. She noted that agencies have different practices in compensating their boards, and that if the Ordinance and Reimbursement Policy do not provide sufficient

detail, she will further evaluate and discuss with the Chair the specifics of what activities and meetings should qualify.

Director Vella inquired that aside from the established meetings of the Board and BPC, should other meetings require pre-approval?

Ms. Schutte stated that the Reimbursement Policy is very clear on what costs are reimbursable, and will help identify compensation available to the Board as part of the Board memo on this item.

There being no further comments or questions, Director Hardy clarified that the Committee's action is to issue a Notice of Public Hearing to be held at the November 21st meeting, so that the Board can publicly discuss Board compensation at the meeting in accordance with the law. She opened the floor for a motion.

Director Schneider made a motion, seconded by Director Pierce, that the Board Policy Committee recommend that the Board hold a noticed public hearing in order to adopt Ordinance #2024-01 at the next available meeting, increasing the meeting stipend compensation to \$200/day for attending meetings and each day of service by request of the Board; and require review of Board member compensation on a five (5) year interval.

The motion passed unanimously by roll call vote.

6. CEO Reports:

- A. Bay-Delta Plan and FERC Update: Ms. Sandkulla reported that there are no substantial developments from what was reported to the Board in September about the Bay Delta Plan and FERC process. She noted that the State Board continues to do the necessary work to meet the current timelines for Phase 1 and Phase 2.
- B. Los Vaqueros Expansion (LVE) Project: Ms. Sandkulla reported that the Los Vaqueros Expansion Project is a regional effort that BAWSCA has been engaged in for a long time with Contra Costa Water District (CCWD), the SFPUC, and other agencies. It is a regional project to improve the Bay Area water supply reliability, water quality and provide ecosystem benefits.

The project has been heavily supported by the State and Federal governments with funds to support the ecosystem benefits gained by increasing the reservoir capacity from 160,000 to 275,000 acre feet.

Los Vaqueros is a reservoir that is currently owned, operated, and provides water supply to CCWD. The expansion project was envisioned to also include a new regional facility called the Transfer-Bethany pipeline and improved pump stations. CCWD, as the owner of the project, is a central figure in the LVE project.

LVE is a regional project with diverse beneficiaries including Alameda County Water District (ACWD), East Bay Municipal Utility District (EBMUD), Grassland Water District, Santa Clara Valley Water District, SFPUC, San Luis and Delta-Mendota Water Authority, and Zone 7 Water Agency. They are all partners in the Joint Powers Authority (JPA). BAWSCA is not a partner to the JPA, but had been involved in the discussions because it would receive benefits through its wholesale relationship with the SFPUC.

On September 18th, CCWD directed its General Manager to develop an approach to end CCWD's participation in the project. The Board's request was based on its conclusion that the project was no longer viable. This was a significant and unexpected announcement.

Ms. Sandkulla stated that the announcement was devastating to the other JPA partners. The JPA issued a statement that conveyed its sincere and continued interest in LVE. It referenced on-going efforts by the partner agencies to develop and finalize key agreements critical to informing agencies' respective business cases as well as address CCWD's concerns.

CCWD's General Manager will be developing an approach to end CCWD's participation. It will include how to archive the work performed on behalf of CCWD and the JPA partners, and engagement with the State to determine if expended funds will need to be returned. BAWSCA will keep the Board updated.

Ms. Sandkulla stated that the current developments of LVE is very telling of the experiences with regional projects and what causes them to work and not work. It was known from the very beginning that the issue with LVE Project was not the technical capability or environmental acceptability, it was the institutional arrangements to provide significant protections to all parties. This development is incredibly unfortunate.

Director Hardy asked what will happen to the State and Federal funds expended, how much has the SFPUC put out, and whether that was charged to the wholesale customer rates. Additionally, it was a shovel-ready project that had been CEQA approved. Would the CEQA approvals stand if the project is resurrected?

In response, Ms. Sandkulla confirmed that the project was shovel-ready with the majority of its designs approved by CEQA. The CEQA approval will continue to be valid provided that the project continues to live within the structure of the CEQA approval.

There has been \$31.5 million spent by all the parties together. BAWSCA was a participant for a few years prior to the formation of the JPA, and spent roughly \$300,000 in the very early years of the project until the Board made a decision not to join the JPA. The SFPUC's cost has been \$4.4 million, of which, 2/3rds is paid by the wholesale customers.

Ms. Sandkulla stated that it can be easy to say that these funds have been wasted, but emphasized that the investment was made to push for the development of a regional project to meet anticipated water supply needs. It is known that not all projects will make it through the long planning process required for water supply projects, and unfortunately, LVE is one of those projects. However, she is interested in what can be salvaged from it to leverage the next project, and what information can be gained as well as what lessons are learned to inform future projects.

She noted her involvement with the Los Vaqueros Reservoir has been through her entire career, starting when she was at EBMUD and Los Vaqueros did not exist. She witnessed the first expansion of the reservoir by CCWD when no other agencies wanted to participate in the project. What comes out of this experience is yet to be discovered.

Director Vella asked Ms. Sandkulla's opinion on the likelihood of the project being revived.

Ms. Sandkulla described that when the first expansion was planned, CCWD very quickly pivoted to doing the project on their own after EBMUD expressed no interest in being a partner. There was a period of no discussion about partnership until the next expansion was planned, in which almost immediately, the State came forward with support. And like most dam projects in California, there is a broad range of potential dam sizes, which can make future projects attractive. It is unknown what the future holds for this project. Ms. Sandkulla did state that the actions of the CCWD Board appear very definitive.

7. **Closed Session:** Committee Chair Hardy reported that there is no need for Closed Session as there are no further updates for the Committee on the Bay Delta Plan and FERC process.

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

8. **Report from Closed Session:** No reportable report.
9. **Comments by Committee Members:** Director Schneider asked about BAWSCA's current conservation programs that the City of Millbrae should follow up on, and whether BAWSCA know of industry professionals who can help member agencies' residents and businesses with keeping stormwater onsite.

Ms. Sandkulla stated that waterwise landscapes are within the realm of BAWSCA's Landscape Education Program and can look into providing instructors with design experience in that area. She added that the County Stormwater group through C/CAG may serve as another resource.

For conservation programs, member agencies can contact Kyle Ramey for assistance.

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

10. **Adjournment:** The meeting was adjourned at 2:51pm. The next meeting is December 11th in the regularly scheduled location of Burlingame Community Center, Sequoia Room.

Respectfully submitted,

Nicole Sandkulla, CEO/General Manager

NS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Oct. 9, 2024	Aug. 14, 2024	Jun. 12, 2024	Apr. 10, 2024	Feb. 14, 2024	Dec. 13, 2023
Santa Clara	Hardy, Karen (C)	✓	MEETING CANCELLED	✓	✓	✓	✓
Hillsborough	Ragsdale, Leslie (VC)	✓		✓	✓	✓	n/a
Westborough	Chambers, Tom	✓		✓	✓	✓	✓
Menlo Park	Doerr, Maria			✓	✓	✓	✓
CalWater	Duncan, Darin	✓		✓	✓	✓	n/a
Redwood City	Pierce, Barbara	☎		✓	☎	✓	☎
Millbrae	Schneider, Ann	✓		✓	✓	✓	✓
MPWD	Vella, Lou	✓		☎	✓	☎	✓
Stanford	Zigterman, Tom			✓	✓	✓	✓

✓: present

☎ : Teleconference

October 9, 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		
Negin Ashoori	Sr. Water Resources Engineer		
Lourdes Enriquez	Asst. to the CEO/General Manager		
Deborah Grimes	Office Manager		

Public Attendees:

Thomas Smegal

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Proposed Fiscal Year 2025-26 Bond Surcharges**

Summary:

This memorandum presents the proposed FY 2025-26 bond surcharge for each BAWSCA agency. The surcharge would take effect on July 1, 2025. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) and reflects the savings generated from the settlement of the 2023A bonds to refund the 2013A bonds executed on January 5, 2023.

Recommendation:

That the Committee recommend Board approval of the proposed FY 2025-26 bond surcharges as presented in Table 1 in this memorandum.

Discussion:

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

The annual surcharges for FY 2025-26 reflect the savings from the prepayment program and the refunding transaction in January 2023. The proposed FY 2025-26 bond surcharges are calculated by multiplying the obligated debt service in 2026, minus a credit for excess bond funds, by each agency's percentage of total wholesale customer purchases in FY 2023-24 and adding a "true up" adjustment for the FY 2023-24 surcharges. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill sent from San Francisco to the BAWSCA agencies each month. The reason FY 2023-24's purchases are used for the FY 2025-26 surcharge calculations is because they represent the latest annual purchases data available as of today. For the same reason, the FY 2023-24 surcharges were calculated based on the latest annual purchases data available at that time, not FY 2023-24's. The "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2023-24 and to reimburse BAWSCA for some expenses incurred in FY 2023-24 in connection with the bond administration that were paid through BAWSCA's FY 2023-24 Operating Budget.

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

The proposed FY 2025-26 bond surcharge for each BAWSCA agency is shown in Table 1.

Table 1. Proposed BAWSCA FY2025-26 Bond Surcharges

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,956,336	\$163,028	Mid Pen WD	\$398,544	\$33,212
Brisbane Water	\$93,756	\$7,813	Millbrae	\$333,876	\$27,823
Burlingame	\$570,732	\$47,561	Milpitas	\$1,077,492	\$89,791
Coastside County WD	\$122,664	\$10,222	Mountain View	\$1,372,572	\$114,381
CWS - Bear Gulch	\$1,755,300	\$146,275	North Coast WD	\$483,156	\$40,263
CWS - Mid Peninsula	\$2,026,164	\$168,847	Palo Alto	\$1,544,484	\$128,707
CWS - South SF	\$517,980	\$43,165	Purissima Hills WD	\$214,584	\$17,882
Daly City	\$343,368	\$28,614	Redwood City	\$1,388,952	\$115,746
East Palo Alto WD	\$325,020	\$27,085	San Bruno	\$129,528	\$10,794
Estero Municipal ID	\$670,356	\$55,863	San Jose (North)	\$705,396	\$58,783
Guadalupe Valley	\$21,024	\$1,752	Santa Clara	\$436,668	\$36,389
Hayward	\$2,303,148	\$191,929	Stanford University	\$296,484	\$24,707
Hillsborough	\$366,300	\$30,525	Sunnyvale	\$1,879,656	\$156,638
Menlo Park	\$473,328	\$39,444	Westborough WD	\$135,480	\$11,290
Total				\$21,942,348	\$1,828,529

Background:

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

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

BAWSCA has been collecting the bond surcharge from member agencies since July 2013 through the SFPUC as a separate item on SFPUC’s monthly water bills to BAWSCA agencies. FY 2025-26 will be the thirteenth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA’s revenue bonds.

Calculating the “True Up” Adjustment

The FY 2025-26 bond surcharge setting includes a “true up” adjustment included in the calculation. This “true up” adjustment is used to reflect each agency’s actual percentage of water purchases in FY 2023-24 and to reimburse BAWSCA for some expenses incurred in FY 2023-24 in connection with the bond administration that were paid through BAWSCA’s FY 2023-24 Operating Budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A “true up” adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from BAWSCA agencies in FY 2023-24 were calculated by multiplying the obligated debt service in 2024 by each agency's percentage of total wholesale customer purchases in FY 2021-22. FY 2021-22 purchases were used as a surrogate for FY 2023-24 purchases, which were not known when the FY 2023-24 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2023-24 and the actual expenses incurred in FY 2023-24 in connection with the bond administration are available, the actual surcharges for FY 2023-24 are calculated again by multiplying a sum of the obligated debt service in 2024 and the actual expenses incurred in FY 2023-24 by each agency's percentage of total wholesale customer purchases in FY 2023-24.

The difference between the surcharges that were actually collected in FY 2023-24, which were based on the surrogate purchase values, and the actual surcharges for FY 2023-24, which are based on actual FY 2023-24 purchases, are one component of the "true up" adjustments to be included in the annual surcharge setting for FY 2025-26. The second component of the "true up" adjustment is the inclusion of \$36,082 of actual expenses incurred by BAWSCA in FY 2023-24 in connection with the bond administration, which represents 0.2% of the annual debt service of the bonds in 2026. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. A "true up" adjustment for FY 2025-26 will be included in the surcharge setting for FY 2027-28.

Table 2 shows how the "true up" adjustment for each BAWSCA agency is determined and included in the proposed FY 2025-26 surcharge amount. Table 3 indicates how much the capital recovery payment cost would have been in FY 2023-24 (column A) if BAWSCA didn't issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2023-24 (column E) from both the original 2013 prepayment and the 2023 refunding are calculated accordingly.

**Table 2. Impact of FY 2023-24 True-up Adjustment on
FY 2025-26 Proposed Surcharges**

Agency	FY 2023-24			FY 2025-26	
	Surcharge Collected (Based on FY 2021-22 Purchase)	Surcharge Obligation (Based on FY 2023-24 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2023-24 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2023-24
Alameda County WD	\$1,599,917	\$1,779,558	\$179,642	\$1,776,689	\$1,956,336
Brisbane Water	\$74,583	\$84,236	\$9,653	\$84,100	\$93,756
Burlingame	\$557,789	\$564,718	\$6,929	\$563,808	\$570,732
Coastside County WD	\$171,789	\$147,343	(\$24,445)	\$147,106	\$122,664
CWS - Bear Gulch	\$1,822,678	\$1,790,430	(\$32,248)	\$1,787,543	\$1,755,300
CWS - Mid Peninsula	\$2,124,157	\$2,076,832	(\$47,325)	\$2,073,484	\$2,026,164
CWS - South SF	\$1,005,454	\$762,334	(\$243,120)	\$761,105	\$517,980
Daly City	\$631,527	\$487,839	(\$143,687)	\$487,053	\$343,368
East Palo Alto WD	\$244,507	\$284,996	\$40,489	\$284,537	\$325,020
Estero Municipal ID	\$659,955	\$665,692	\$5,737	\$664,619	\$670,356
Guadalupe Valley	\$29,441	\$25,253	(\$4,188)	\$25,212	\$21,024
Hayward	\$2,396,767	\$2,351,852	(\$44,915)	\$2,348,060	\$2,303,148
Hillsborough	\$405,138	\$386,029	(\$19,109)	\$385,407	\$366,300
Menlo Park	\$440,132	\$457,098	\$16,966	\$456,361	\$473,328
Mid Pen WD	\$413,124	\$406,160	(\$6,965)	\$405,505	\$398,544
Millbrae	\$288,774	\$311,573	\$22,800	\$311,071	\$333,876
Milpitas	\$815,555	\$947,287	\$131,733	\$945,760	\$1,077,492
Mountain View	\$1,258,967	\$1,316,829	\$57,862	\$1,314,706	\$1,372,572
North Coast WD	\$381,354	\$432,606	\$51,252	\$431,908	\$483,156
Palo Alto	\$1,646,623	\$1,596,839	(\$49,784)	\$1,594,265	\$1,544,484
Purissima Hills WD	\$283,618	\$249,303	(\$34,315)	\$248,901	\$214,584
Redwood City	\$1,350,631	\$1,370,894	\$20,263	\$1,368,684	\$1,388,952
San Bruno	\$199,400	\$164,599	(\$34,801)	\$164,334	\$129,528
San Jose (North)	\$690,596	\$698,559	\$7,963	\$697,433	\$705,396
Santa Clara	\$540,092	\$488,776	(\$51,317)	\$487,988	\$436,668
Stanford University	\$249,737	\$273,333	\$23,596	\$272,893	\$296,484
Sunnyvale	\$1,516,190	\$1,699,292	\$183,103	\$1,696,553	\$1,879,656
Westborough WD	<u>\$107,051</u>	<u>\$121,364</u>	<u>\$14,312</u>	<u>\$121,168</u>	<u>\$135,480</u>
Totals	\$21,905,545	\$21,941,627	\$36,082	\$21,906,251	\$21,942,348

Table 3. Actual Savings to Each Agency for FY 2023-24 Resulting from BAWSCA 2013 and 2023 Bond Issuance

Agency	SFPUC Capital Recovery Payment*	Annual Surcharge Collected in FY 2023-24	True-ups To Be Collected or Refunded in FY 2025-26	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$2,287,139	\$1,599,917	\$179,642	\$1,779,558	\$507,580
Brisbane Water	\$108,262	\$74,583	\$9,653	\$84,236	\$24,026
Burlingame	\$725,792	\$557,789	\$6,929	\$564,718	\$161,074
Coastside County WD	\$189,370	\$171,789	(\$24,445)	\$147,343	\$42,027
CWS - Bear Gulch	\$2,301,112	\$1,822,678	(\$32,248)	\$1,790,430	\$510,681
CWS - Mid Peninsula	\$2,669,204	\$2,124,157	(\$47,325)	\$2,076,832	\$592,371
CWS - South SF	\$979,773	\$1,005,454	(\$243,120)	\$762,334	\$217,439
Daly City	\$626,985	\$631,527	(\$143,687)	\$487,839	\$139,146
East Palo Alto WD	\$366,285	\$244,507	\$40,489	\$284,996	\$81,289
Estero Municipal ID	\$855,566	\$659,955	\$5,737	\$665,692	\$189,874
Guadalupe Valley	\$32,456	\$29,441	(\$4,188)	\$25,253	\$7,203
Hayward	\$3,022,666	\$2,396,767	(\$44,915)	\$2,351,852	\$670,815
Hillsborough	\$496,136	\$405,138	(\$19,109)	\$386,029	\$110,106
Menlo Park	\$587,476	\$440,132	\$16,966	\$457,098	\$130,377
Mid Pen WD	\$522,008	\$413,124	(\$6,965)	\$406,160	\$115,848
Millbrae	\$400,443	\$288,774	\$22,800	\$311,573	\$88,870
Milpitas	\$1,217,481	\$815,555	\$131,733	\$947,287	\$270,193
Mountain View	\$1,692,426	\$1,258,967	\$57,862	\$1,316,829	\$375,597
North Coast WD	\$555,997	\$381,354	\$51,252	\$432,606	\$123,391
Palo Alto	\$2,052,303	\$1,646,623	(\$49,784)	\$1,596,839	\$455,464
Purissima Hills WD	\$320,411	\$283,618	(\$34,315)	\$249,303	\$71,108
Redwood City	\$1,761,912	\$1,350,631	\$20,263	\$1,370,894	\$391,018
San Bruno	\$211,548	\$199,400	(\$34,801)	\$164,599	\$46,948
San Jose (North)	\$897,808	\$690,596	\$7,963	\$698,559	\$199,249
Santa Clara	\$628,188	\$540,092	(\$51,317)	\$488,776	\$139,413
Stanford University	\$351,296	\$249,737	\$23,596	\$273,333	\$77,962
Sunnyvale	\$2,183,979	\$1,516,190	\$183,103	\$1,699,292	\$484,686
Westborough WD	\$155,980	\$107,051	\$14,312	\$121,364	\$34,616
Totals	\$28,200,000	\$21,905,545	\$36,082	\$21,941,627	\$6,258,373

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

(This page was intentionally left blank)

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: Mid-Year 2024-25 Work Plan, Budget and General Reserve Review and Recommended Changes

Summary:

A review of the FY 2024-25 Work Plan has been performed, with the results presented in the attached Table 1. To ensure continued access to a reliable supply of high-quality water at a fair price, two additions to the adopted FY 2024-25 Work Plan are recommended:

- 1) *New Work Plan Item 11e “Recruit, hire, and transition to a new CEO/GM”.*
- 2) *New Work Plan Item 11f “Consideration of Board policy directive for an adjustment to Board member compensation”.*

This memorandum presents (1) the recommended changes to the FY 2024-25 Work Plan and associated budget implications, and (2) a discussion on the management of the General Reserve. For all other Work Plan items, expenses are tracking within the currently approved Operating Budget for FY 2024-25 of \$5,614,518.

Fiscal Impact:

At this time, the work associated with the two recommended changes to the Work Plan has been accommodated to date within legal counsel’s overall budget. However, it is anticipated that an increase to legal counsel’s overall budget will be necessary prior to the end of the fiscal year given the combined effects of the new CEO recruitment, the necessary work with CalPERS to support CEO Sandkulla’s retirement, and the Board’s interest in considering a change in its Board Member compensation per day of service. The CEO and legal counsel will continue to closely monitor this issue, report to the Board as necessary, and bring forward further action if required. The CEO will also closely monitor the overall salary and benefits expenses given the Board’s approved transition plan for the new CEO and Ms. Sandkulla.

Recommendation:

That the Committee recommend Board approval of the following changes to the FY 2024-25 Work Plan:

- Add new Work Plan Item 11e “Recruit, hire, and transition to a new CEO/GM”.
- Add new Work Plan Item 11f “Consideration of Board policy directive for an adjustment to Board member compensation”.

Prior Board Approved Work Plan and Budget Actions for FY 2024-25:

On May 16, 2024, the Board approved the following:

- 1) FY 2023-24 Work Plan and Results to be Achieved;
- 2) Operating Budget of \$5,614,518;
- 3) Funding plan of a 9% assessment increase (\$5,274,398) and a transfer of \$340,120 from the General Reserve to fund the Operating Budget.

Discussion:

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and

(3) reviewing the need for any new Work Plan items. This Work Plan review resulted in the two changes recommended below. Following the Work Plan review, a budget review was performed.

Recommended FY 2024-25 Work Plan Changes and Budget Implications

Table 1 presents the Board-approved Work Plan for FY 2024-25 modified to show recommended revisions to the Work Plan. Explanations for the two recommended revisions are discussed below.

- 1) Add new Work Plan Item 11e “Recruit, hire, and transition to new CEO/GM”. While CEO Sandkulla notified the Board in Spring 2024 of her intention to retire in December 2024, the adopted Work Plan and Operating Budget for FY 2024-25 did not include legal or other resources to support the agency’s recruitment, CEO salary survey, hiring or transition to a new CEO/GM. The new CEO/GM recruitment process was successfully led by an Ad Hoc Committee of the Board with the support of BAWSCA legal counsel resulting in the selection of Tom Smegal as BAWSCA’s new CEO/GM with a December 1, 2024 start date.

The Board’s plan for transition to the new CEO/GM was also not included in the adopted FY 2024-25 Work Plan or Operating Budget, including the plan for a transition period in which both Nicole Sandkulla will be working full time for roughly one month to support Tom Smegal’s successful transition or the Board’s intent to retain Ms. Sandkulla as a “retired annuitant” following her retirement. At this time, it is anticipated that these additional salary expenses can be accommodated within the agency’s overall budget, however, they will continue to be closely tracked and reported on.

Further, unanticipated and unbudgeted legal support has been needed to assist BAWSCA in working with CalPERS in support of CEO Sandkulla’s anticipated retirement at the end of December 2024.

- 2) Add new Work Plan Item 11f “Consideration of Board policy directive for an adjustment to Board member compensation”. Following several months of investigation and discussion by the Board and Policy Committee, at the direction of the Board, legal counsel has brought forward a change in policy related to increasing Board member compensation to the Board for its consideration at a public hearing at its November 21, 2024 meeting. This item was not included in the adopted Work Plan. On November 21, 2024, the Board acted to approve (1) an increase in compensation from \$100 to \$200 per day of service beginning July 1, 2025 pending approval of the FY 2025-26 Work Plan and Operating Budget and (2) a review of the Board member compensation every 5 years.

Budget Changes Needed to Complete Work Expected During FY 2024-25:

A preliminary budget review has been performed as part of this mid-year review and at this time, no budget changes are recommended. To date, legal counsel’s overall budget has been sufficient to support legal work and expenses. However, it is anticipated that an increase to legal counsel’s overall budget for FY 2024-25 will be necessary prior to the end of the fiscal year given the combined effects of the new CEO recruitment, the necessary work with CalPERS to support CEO Sandkulla’s retirement, and the Board’s interest in considering an increase in its meeting compensation. The CEO and legal counsel will continue to closely monitor this issue, report to the Board as necessary, and bring forward further action if required. Additionally, given the Board’s plan for a transition period in which both Ms. Sandkulla and Mr. Smegal are on staff, there is a potential need for an increase in the approved budget for staff salaries and benefits. The CEO will continue to closely monitor this issue, report to the Board as necessary, and bring forward further action if required.

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

Review and Management of General Reserve:

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

The current General Reserve balance of \$1,356,288 reflects the deposit of \$237,018 of FY 2023-24 unspent funds.

This level of General Reserve represents 24% of the approved Operating Budget, which is within the current guideline for the General Reserve balance for budgetary purposes of 20% to 35% of the annual operating expense.

Based on results of the FY 2024-25 mid-year Work Plan and budget review, no other changes to the General Reserve are requested at this time.

Attachments:

1. Table 1. Work Plan and Results to be Achieved in FY 2024-25: Progress and Recommended Changes
2. Table 2. Historical Annual Assessments and Year-End Reserves

(This page was intentionally left blank)

Table 1. Adopted FY 2024-25 Work Plan and Results to Be Achieved: Progress and Recommended Changes

(Recommended Changes to Adopted Work Plan Identified in Underlined, Bold, Italic Blue Font)

(Mid-Year Status Shown in 1 st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN		
	RELIABLE WATER SUPPLY	
	<u>1. Facility Reliability: Monitor SFPUC’s WSIP, 10-Year Capital Plan, Asset Mgmt. Program, and Emergency Response</u>	
✓	a. Monitor WSIP scope, cost, and schedule including extending State oversight as necessary through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they have been completed in such a fashion that they can meet their intended Level of Service (LOS) goals.	<ul style="list-style-type: none"> • AB 2962 (Papan) extending State oversight of San Francisco’s WSIP for ten years; from January 1, 2026 to January 1, 2036, was signed into law by the Governor on August 26, 2024. • Reviewed SFPUC’s annual WSIP report. Provided written comments to both the SFPUC and State. Attended WSIP update meeting with SFPUC staff on August 9, 2024
✓	b. Review and monitor SFPUC’s Regional 10-Year Capital Plan to ensure that identified projects and programs meet the needs of the members in a cost-effective and appropriate manner.	<ul style="list-style-type: none"> • Monitored SFPUC’s 10-year CIP via review of the SFPUC’s quarterly progress reports for both the Hetch Hetchy Division and the Water Supply and Treatment Division. Met with SFPUC staff to review BAWSCA comments on July 8th and October 10th for the Hetchy Hetchy Division and on October 2nd for the Water Supply and Treatment Division.
✓	c. Review & monitor SFPUC's Asset Management Program to ensure ongoing long-term maintenance and protection of RWS assets.	<ul style="list-style-type: none"> • Reviewed SFPUC progress updates on its asset management plans as presented in the SFPUC’s 2024 State of the Regional Water System bi-annual Report. See 1.f for further discussion.
✓	d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters.	<ul style="list-style-type: none"> • Ongoing.
✓	e. Engage with and track the SFPUC Capital Planning Improvements Initiative Review.	<ul style="list-style-type: none"> • Ongoing. Note that no additional updates on the initiative were available from the SFPUC during the 1st half of FY 2024-25.

(Mid-Year Status Shown in 1 st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN		
✓	f. Review the SFPUC 2024 State of the Regional Water System Report.	<ul style="list-style-type: none"> Reviewed the SFPUC’s draft 2024 State of the Regional Water System Report. Provided detailed comments, including suggested edits and requested additional documentation, via October 23, 2024 letter to SFPUC. Awaiting the final SRWS Report from the SFPUC, including a formal reply from SFPUC to BAWSCA’s comments.
	2. <u>Long-Term Supply Solutions: Implement BAWSCA’s Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When needed</u>	
✓	a. Initiate development of BAWSCA’s Long-Term Reliable Water Supply Strategy 2050 (Strategy 2050).	<ul style="list-style-type: none"> Scope of work for Strategy 2050 completed in July 2024. Contract with consultant executed in October 2024 and work on the development of Strategy 2050 began in November 2024.
✓	b. Initiate development of updated regional water demand projections “BAWSCA 2025 Regional Water Demand and Conservation Projections Project”.	<ul style="list-style-type: none"> On schedule. Work on the development of updated regional water demand projections began in July 2024.
✓	c. Participate in the Bay Area Regional Reliability (BARR) Partnership.	<ul style="list-style-type: none"> Ongoing. Participated in monthly BARR Partnership meetings to discuss possible future BARR work efforts.
✓	d. Participate in the continued planning of the PureWater Peninsula potable reuse project.	<ul style="list-style-type: none"> Ongoing. Current work includes the development of plans for public outreach, which is anticipated to being in the second half of 2025 / early 2026.
✓	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.	<ul style="list-style-type: none"> Ongoing.
✓	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.	<ul style="list-style-type: none"> On track. Awaiting resolution of a Voluntary Agreement for the Tuolumne River (now termed “Healthy Rivers and Landscapes Program”), which is under review by the SWRCB, followed by information as needed from the SFPUC, so that information can be included in the Reliability Model for analysis. BAWSCA anticipates that this

(Mid-Year Status Shown in 1st Column: **!** Needs Attention **●** Experiencing Delay **✓** Complete/On Track **★** Extraordinary Result)

BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN

		information will not be fully available for these purposes until FY 2025-26.
✓	g. Facilitate use of the BAWSCA Model by members via Subscription Program.	<ul style="list-style-type: none"> Ongoing. Subscription program renewed and available for use by agencies in Spring 2025 to support their State-required “Annual Water Supply and Demand Assessment” submittals by June 30 of 2025.
	3. <u>Near-term Supply Solutions: Demand Management, Water Conservation and Drought Response</u>	
✓	a. Prepare the BAWSCA 2021-2023 Drought Report.	<ul style="list-style-type: none"> Ongoing and on track to be completed by June 30, 2025. A draft Technical Memo (TM-1) provided to member agencies for review and comment in October 2024. Comments are being incorporated into the final TM-1, which is anticipated to be completed by December 2025. BAWSCA has initiated the scoped “drought measure effectiveness review” and that work will extend into Winter/Spring of 2025.
✓	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.	<ul style="list-style-type: none"> Complete. BAWSCA and Valley Water, with consultant support, completed four concise guidance documents to help agencies understand new water use efficiency mandates for Commercial, Industrial, and Institutional (CII) customers. In partnership with Valley Water, BAWSCA held an all-day workshop on October 21, 2024. 24 BAWSCA agencies were present. The topic of the workshop was new water use efficiency CII mandates and the new materials produced for this project were presented to attendees.
✓	c. Provide regional coordination to support members’ AMI implementation and data management and utilization.	<ul style="list-style-type: none"> Ongoing. BAWSCA member agency AMI data evaluation is a work component of the Drought Report being prepared in work plan item 3.a
✓	d. Implement BAWSCA’s core water conservation programs.	<ul style="list-style-type: none"> Ongoing.

(Mid-Year Status Shown in 1st Column: **!** Needs Attention **○** Experiencing Delay **✓** Complete/On Track **★** Extraordinary Result)

BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN

✓	e. Implement BAWSCA’s subscription conservation rebate programs that benefit and are paid for by participating members.	<ul style="list-style-type: none"> • Ongoing.
✓	f. Engage with CalWEP & others to promote 3 rd party development & administration of a leak repair & training certification program.	<ul style="list-style-type: none"> • Ongoing. The program framework, which was completed in FY 2023-24, guided BAWSCA and Valley Water to pursue a cost share agreement with CalWEP to hire a 3rd party curriculum developer. BAWSCA’s cost share is included in the FY 2024-25 budget and work plan. The cost share agreement will be executed in the 2nd half of FY 2024-25. • BAWSCA, Valley Water, and CalWEP presented findings from the information gathering phase to the Water Smart Innovations (WSI) Conference attendees in Las Vegas in September 2024.
✓	g. Participate in San Mateo County’s C/CAG OneWatershed pilot project.	<ul style="list-style-type: none"> • Ongoing. BAWSCA’s Water Resource Manager has been a regular attendee of meetings with project partners. This work is anticipated to extend into FY 2025-26.
✓	h. Represent members in regional and State-level discussions relative to water conservation-related regulations, grant funding opportunities, and programs where regional participation is possible.	<ul style="list-style-type: none"> • Ongoing. BAWSCA participates through membership in the Association of California Water Agencies (ACWA), CalWEP, as well as in direct dialog with State Agency staff.
	<u>4. Take Actions to Protect Members’ Water Supply and Financial Interests in WSA Administration</u>	
✓	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.	<ul style="list-style-type: none"> • Ongoing. • At BAWSCA’s request, the SFPUC presented information regarding its AWS program at the July 18, 2024 BAWSCA Board meeting. • BAWSCA has continued to track efforts associated with the Los Vaqueros Reservoir Expansion Project, including the most recent decision by Contra Costa Water District to terminate the project.

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN		
		<ul style="list-style-type: none"> BAWSCA has an active role in the SFPUC’s development of several alternative water supply projects included in its AWS Program, such as potable reuse opportunities (e.g., the PureWater Peninsula Project)
✓	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.	<ul style="list-style-type: none"> Ongoing.
✓	c. Adopt a temporary extension of the existing Tier 2 Plan that expires Dec. 2024 if necessary.	<ul style="list-style-type: none"> Complete. A temporary extension of the existing Tier 2 Plan was approved by the BAWSCA Board on November 21, 2024.
✓	d. Facilitate final negotiations and adoption of an updated Tier 2 Plan.	<ul style="list-style-type: none"> Ongoing. BAWSCA has facilitated development of an update to the existing Tier 2 Plan. Negotiations were finalized in early fall 2024. A meeting with key BAWSCA agency management and legal staff will be held on December 12, 2024, at which time the process of agency approval of the updated Tier 2 Plan and other associated contract amendments will be discussed. BAWSCA agencies are scheduled to take up Plan approval in the first half of 2025.
✓	e. Protect members’ water supply and financial interests in the SFPUC’s required 2028 decisions.	Ongoing. BAWSCA continues to organize and attend monthly meetings with representatives from the City of San Jose, the City of Santa Clara, and the SFPUC. Discussions focus on the development of alternative water supplies that, when and if implemented, would allow the SFPUC to consider making both San Jose and Santa Clara permanent customers.
✓	f. Ensure correct implementation of asset classification adjustments associated with 2018 WSA amendment.	<ul style="list-style-type: none"> Ongoing.

(Mid-Year Status Shown in 1 st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN		
✓	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.	<ul style="list-style-type: none"> • Ongoing. No new transfers were proposed during this current fiscal year.
✓	h. If proposed by SFPUC, support members consideration of possible WSA amendment on to min. purchase obligations.	<ul style="list-style-type: none"> • Ongoing. • In concert with the Tier 2 negotiations as detailed under Work Plan Item 4.d., BAWSCA facilitated discussions between the four Minimum Purchase agencies, the remaining BAWSCA agencies, and the SFPUC regarding an approach to adjust the existing Minimum Purchase Quantities through a WSA amendment. Discussions took place in the Summer / Fall of 2024, and a tentative agreement has been reached by the parties. • Plans are taking shape for each member agency and the SFPUC to adopt an amendment to the WSA in the first half of 2025.
	5. <u>Protect Members’ Interests in a Reliable Water Supply</u>	
✓	a. Participate in SWRCB Bay Delta Plan Update to ensure members’ interests are represented, including ongoing legal intervention.	<ul style="list-style-type: none"> • Ongoing.
✓	b. Participate in the Don Pedro Project/La Grange Project FERC licensing process to protect customers’ long-term interests in Tuolumne River water supplies, including ongoing legal intervention.	<ul style="list-style-type: none"> • Ongoing.
	6. <u>Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u>	
✓	a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs, including Prop 1 Integrated Regional Water Management conservation grant.	<ul style="list-style-type: none"> • Ongoing. • Prop. 1 funding, as provided to member agencies via BAWSCA, is anticipated to be exhausted by early 2025. New sources of regional funding are anticipated to be available in FY 2025-26 with the passing of Prop. 4, which

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN		
		was on California’s Nov. 2024 statewide ballot. BAWSCA is tracking the process by which the State will develop funding opportunities.
✓	b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.	<ul style="list-style-type: none"> • Ongoing. • BAWSCA has not identified grant funding programs that may be of regional interest to member agencies during the first half of FY 2024-25.
✓	c. Implement BAWSCA grant tracking tool to support members’ access to grant funds.	<ul style="list-style-type: none"> • The BAWSCA grant tracking tool was completed at the close of FY 2023-24 and is currently in use by interested member agencies.
✓	d. Investigate potential for grant funds to support the implementation of BAWSCA’s Strategy.	<ul style="list-style-type: none"> • Development of a broader approach by which BAWSCA can assist member agencies in securing grant funding as well as determining if and how BAWSCA could assist in grant administration will be done as part of Strategy 2050.
	<u>7. Reporting and Tracking of Water Supply and Conservation Activities</u>	
✓	a. Complete BAWSCA FY 2023-24 Annual Survey.	<ul style="list-style-type: none"> • On schedule. • Work effort has begun on the development of the Annual Survey, with an anticipated completion date of March 2025.
✓	b. Complete BAWSCA FY 2023-24 Annual Water Conservation Report.	<ul style="list-style-type: none"> • On schedule. • Work will begin in early 2025, with an anticipated completion date of June 2025.
✓	c. In partnership with members, operate and maintain BAWSCA’s updated WCDB.	<ul style="list-style-type: none"> • Ongoing. • The updated WCDB is being utilized for the data collection and water use reporting as needed to prepare the FY 2023-24 Annual Survey.

(Mid-Year Status Shown in 1st Column: **!** Needs Attention **○** Experiencing Delay **✓** Complete/On Track **★** Extraordinary Result)

BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN

	HIGH QUALITY WATER	
	8. <u>Support Members in Receiving Reliable Communication of Water Quality Issues</u>	
✓	a. Coordinate members participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.	<ul style="list-style-type: none"> • Ongoing. • Participated in the Committee, including attending and agenda setting for regular Committee meetings.
✓	b. Relay important water quality information (notices as received from SFPUC) to members when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending).	<ul style="list-style-type: none"> • Ongoing. • Participating as a key Stakeholder in the SFPUC's update of its Water Quality Strategic Plan. Participation included review of various supporting documents, and attendance at nine virtual workshops to discuss elements of the Plan's update. The Plan was completed in Fall 2024. • No significant water quality events have taken place to date this fiscal year.
✓	c. Review and act on, if necessary, State legislation affecting water quality regulations.	<ul style="list-style-type: none"> • Ongoing. • Provided information to member agencies regarding potential actions needed to opt in or out of two class action PFAS litigation items, including but not limited to informing them of San Francisco's planned opt-out action.
	FAIR PRICE	
	9. <u>Perform Matters that Members Agencies Delegated to BAWSCA in the Water Supply Agreement</u>	
✓	a. Administer the WSA with San Francisco to protect the financial interests of members.	<ul style="list-style-type: none"> • Ongoing effort to ensure that SFPUC meets its financial reporting obligations required by the WSA. • BAWSCA recently completed its review of the SFPUC's calculation of the FY 2022-23 Wholesale Revenue Requirement (WRR) and changes in the Balancing Account, and will work with the SFPUC towards having all BAWSCA's

(Mid-Year Status Shown in 1st Column: **!** Needs Attention **●** Experiencing Delay **✓** Complete/On Track **★** Extraordinary Result)

BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN

		<p>questions addressed before the WSA deadline.</p> <ul style="list-style-type: none"> • Due to SFPUC’s delayed progress in addressing BAWSCA’s questions in connection with its FY 2020-21 and FY 2021-22 WRR reviews, the parties will spend the next six months to address all remaining BAWSCA questions.
✓	<p>b. Administer BAWSCA’s revenue bonds issued to retire capital debt owed by the Wholesale Customers to San Francisco.</p>	<ul style="list-style-type: none"> • Ongoing administration of bond surcharge collection from Members each month and proper fund allocation at the Trustee according to the Bond Indenture to ensure sufficient fund for on-time debt service payments. • Performed account reconciliation based on the SFPUC’s surcharge collection report and Trustee’s account statements at the end of each month. • Ongoing maintenance of proper records to ensure on time annual continuing disclosure filing to the Municipal Securities Rulemaking Board. • Prepared Quarterly Bond Surcharge Collection Report for the Board that presents the status of surcharge collection and the account balance at the Trustee. • Complied with tax requirements to preserve the tax-exempt status of the 2013A bonds. • Reviewed the investment strategy for the bond proceeds and determined that the current 0-5 year laddered portfolio strategy remains appropriate.
	AGENCY EFFECTIVENESS	
	10. <u>Maintain Community Allies and Contacts with Environmental Interests</u>	
✓	<p>a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them, if necessary, to achieve agency goals.</p>	<ul style="list-style-type: none"> • Ongoing.

(Mid-Year Status Shown in 1 st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN		
✓	b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.	<ul style="list-style-type: none"> • Ongoing.
✓	c. Maintain effective communications with members, customers, and others to achieve results and support goals.	<ul style="list-style-type: none"> • On-going.
✓	d. In conjunction with San Francisco, conduct or co-sponsor tours of the Regional Water System for selected participants.	<ul style="list-style-type: none"> • A tour of the Regional Water System, including the Hetch Hetchy watershed, was held on June 4-5 and Oct 15-16, 2024.
	11. <u>Manage the Activities of the Agency Professionally and Efficiently</u>	
✓	a. Implement Board policy directives for management of BAWSCA’s unfunded OPEB and pension liability obligations.	<ul style="list-style-type: none"> • Provided a status update of BAWSCA’s unfunded OPEB and pension liabilities, including the SFPUC’s OPEB and pension liability funded status to the Board in November 2024. • Consulted with BAWSCA auditors Chavan & Associates on the Board’s concerns related to the SFPUC’s unfunded liabilities and potential risk to the agencies. It is confirmed that San Francisco’s unfunded liability is an obligation of San Francisco and is not BAWSCA agencies’ liability. • Consulted with legal counsel, who agreed with the results of the auditors’ analysis as stated above.
✓	b. Maintain a motivated, trained, and effective Workforce.	<ul style="list-style-type: none"> • Ongoing.
✓	c. Continue development of a staff-led plan to address BAWSCA’s long-term policy & operational resilience to inform future policy decision making.	<ul style="list-style-type: none"> • Ongoing.
✓	d. Implement directive to make BAWSCA Board and Policy Committee meetings available to the public via livestream.	<ul style="list-style-type: none"> • Complete: FY 2024-25 meetings of the BAWSCA Board and BPC have all been livestreamed and made available to the public.
!	e. <u>Recommended Scope Change: Add new Work Plan Item 11e “Recruit, hire, and transition to new CEO/GM.”</u>	<ul style="list-style-type: none"> • While CEO Sandkulla notified the Board in Spring 2024 of her intention to retire in December 2024, the adopted Work Plan and Operating Budget for FY 2024-25 did not include

(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN

		<p>legal or other resources to support the agency’s recruitment, hiring or transition to a new CEO/GM.</p> <ul style="list-style-type: none"> • The new CEO/GM recruitment process was successfully led by an Ad Hoc Committee of the Board with the support of BAWSCA legal counsel resulting in the selection of Tom Smegal as BAWSCA’s new CEO with a December 1, 2024 start date. • The Board’s plan for transition to the new CEO was also not included in the adopted FY 2024-25 Work Plan or Operating Budget, including the plan for a transition period in which both Nicole Sandkulla will be working full time for roughly one month to support Tom Smegal’s successful transition or the Board’s intent to retain Ms. Sandkulla as a “retired annuitant” following her retirement. At this time, it is anticipated that these additional salary expenses can be accommodated within the agency’s overall budget, however, they will continue to be closely tracked and reported on. • Unanticipated and unbudgeted legal support has been needed to assist BAWSCA in working with CalPERS in support of CEO Sandkulla’s anticipated retirement at the end of December 2024. • While legal counsel’s overall budget to date is sufficient to support these expenses at this time, it is anticipated that an increase to legal counsel’s overall budget for FY 2024-25 will be necessary prior to the end of the fiscal year given the combined effects of the new CEO recruitment process, including conducting a salary survey under the direction of legal counsel, facilitation of CEO transition activities, completing the necessary work with CalPERS to support CEO Sandkulla’s retirement, and addressing the Board’s interest in considering an increase in its meeting compensation.
--	--	---

(Mid-Year Status Shown in 1st Column: **!** Needs Attention **●** Experiencing Delay **✓** Complete/On Track **★** Extraordinary Result)

BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN

		<ul style="list-style-type: none"> The CEO and legal counsel will continue to closely monitor this issue, report to the Board as necessary, and bring forward further action if required.
<p>!</p>	<p>f. <u>Recommended Scope Change: Add new Work Plan Item 11f “Consideration of Board policy directive for an adjustment to Board member compensation.”</u></p>	<ul style="list-style-type: none"> At the direction of the Board, legal counsel has brought forward a change in policy related to increasing Board member compensation to the Board for its consideration at a public hearing at its November 21, 2024 meeting. This item was not included in the adopted Work Plan. On November 21, 2024, the Board acted to approve (1) an increase in compensation from \$100 to \$200 per day of service beginning July 1, 2025 pending approval of the FY 2025-26 Work Plan and Operating Budget and (2) a review of the Board member compensation every 5 years. While legal counsel’s overall budget to date is sufficient to support these expenses at this time, it is anticipated that an increase to legal counsel’s overall budget for FY 2024-25 will be necessary prior to the end of the fiscal year given the combined effects of the new CEO recruitment and related matters described above, and the Board’s interest in considering an increase in its meeting compensation. The CEO and legal counsel will continue to closely monitor this issue, report to the Board as necessary, and bring forward further action if required.

Table 2. Historical Annual Assessments and Year-End Reserves

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	Reserve as a % of Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11%
2006-07	\$2,117,904	\$654,000	\$2,291,904	29%
2007-08	\$2,117,904	\$691,474	\$2,508,967	28%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18%
2009-10	\$2,517,000	\$407,192	\$2,766,945	15%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35%
2013-14	\$2,516,812	\$521,897	\$3,280,189	16%
2014-15	\$2,642,653	\$225,461	\$2,939,286	8%
2015-16	\$3,276,889	\$776,620	\$3,201,679	24%
2016-17	\$3,440,734	\$1,202,592	\$3,468,008	35%
2017-18	\$3,543,957	\$1,561,144	\$3,704,572	42%
2018-19	\$3,579,397	\$1,115,848	\$4,278,585	26%
2019-20	\$3,686,779	\$1,037,877	\$4,569,750	23%
2020-21	\$3,686,779	\$996,743	4,163,179	24%
2021-22	\$3,871,118	\$758,794	\$4,799,544	16%
2022-23	\$4,838,897	\$1,046,550	\$4,750,885	22%
2023-24	\$4,838,897	\$1,459,390	\$4,983,419	29%
2024-25	\$5,274,398	\$1,356,288*	\$5,614,518	24%

*As of December 11, 2024

(This page was intentionally left blank)



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

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Nicole Sandkulla, CEO/General Manager
DATE: December 6, 2024
SUBJECT: Chief Executive Officer/General Manager's Letter

Tier 2 Plan Update and WSA Amendments

BAWSCA, the Water Management Representatives (WMR), and legal counsel continue to make progress on the adoption materials to update the Tier 2 Plan and amend related topics in the WSA. On December 12, 2024, legal and upper-level management from each of the member agencies will join the WMR meeting to discuss what will be included in the adoption packet.

BAWSCA and its legal counsel anticipates finalizing the adoption materials in December 2024. San Francisco is expected to adopt amendments to the WSA in January 2025. Between February and June 2025, the Wholesale Customers will adopt the updated Tier 2 Plan and amendments to the WSA.

ACWA Fall Conference

The ACWA Winter Conference was held in Palm Springs from December 2nd to 4th. BAWSCA's new CEO/General Manager, Tom Smegal, and Nicole Sandkulla attended the conference where Tom was introduced to BAWSCA's regional partners and others including the General Managers and senior staff for ACWD, Valley Water, and EBMUD.

Demand Study Update

On Wednesday November 13, 2024, BAWSCA held a virtual Demand Study Workshop, bringing together BAWSCA Water Management Representatives, BAWSCA staff, and the consultant team. The workshop provided an overview of the modeling methodology being employed in the study, a summary of the approach to acquire historical data necessary to define service area boundaries, and a preview of the plan to provide member agencies with conservation program workbooks. The workshop was well received by attendees. Additional workshops will be performed as work on the demand study moves forward.

###

(This page was intentionally left blank)

Board Policy Committee

Policy Calendar Through August 2025

Meeting Date	Purpose	Issue or Topic
February 2025	D&A R&D R&D R&D R R	Consideration of Results of Bi-Annual Staff Salary Compensation Review Presentation of Preliminary FY 2025-26 Work Plan and Budget BAWSCA's Strategy 2050 Review of Regular Consultant Rates Review of Water Supply Forecast Water Management Charge Update
April 2025	D&A R&D R	Consideration of Proposed FY 2025-26 Work Plan and Budget Review of Publicly Available Pay Schedules BAWSCA's Strategy 2050 Review of Water Supply Forecast
June 2025	D&A	Review of CEO/General Manager Evaluation Procedure and Publicly Available Pay Schedules
August 2025	R&D	BAWSCA's Strategy 2050