



BOARD OF DIRECTORS MEETING

Thursday, January 16, 2025

6:30pm

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

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AGENDA - REVISED

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag	(Chambers)	
2. Special Order of Business – Election of Officers for Calendar Year 2025 <i>(Attachment)</i> <ul style="list-style-type: none"> • Election of Chair • Election of Vice Chair <i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i>	(Chambers)	Pg 3
3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Chambers)	
4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Chambers)	
5. Comments by the Chair	(Chambers)	
6. Board Policy Committee Report <i>(Attachment)</i>	(Hardy)	Pg 5
7. SFPUC Report	(Ritchie)	
8. Public Comments <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>	(Chambers)	
9. Consent Calendar <i>(Attachments)</i>	(Chambers)	
A. Affirmation of Minutes of the November 16 ²¹ , 2024 Meeting		Pg 13
B. Receive and File Budget Status Report – As of November 30, 2024		Pg 23
C. Receive and File Investment Report – as of December 31, 2024		Pg 25
D. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of September 30, 2024 <i>(Attachment)</i>		Pg 27
E. Receive and File Directors’ Reimbursement Report – As of December 31, 2024		Pg 29
F. Receive and File Employee Reimbursement Report – As of December 31, 2024		Pg 31

G. Approval of the Proposed FY 2025-26 Bond Surcharges Pg 33
The Board Policy Committee voted unanimously to recommend the proposed Board action for item 9G.

10. Action Calendar

A. Mid-Year 2024-25 Work Plan, Budget, and General Reserve Review and Recommended Changes (*Attachment*) **(Smegal)** Pg 39
The Board Policy Committee voted unanimously to recommend the proposed Board action.

11. CEO Reports **(Smegal)**

A. BAWSCA’s Strategy 2050 (*Attachment*) Pg 57
B. Update on New Tier 2 Plan and WSA Amendment Action Items
C. Bay Delta Plan/FERC Update
D. CEO Letter (*Attachment*) Pg 61
E. Board of Directors Policy Calendar (*Attachment*) Pg 65
F. Correspondence Packet ([Under Separate Cover](#))

12. 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).

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

14. Discussion Item **(Smegal)**

A. Fiscal Year 2025-26 Work Plan and Budget Planning Session (*Attachment*) Pg 67

15. Additional Time for Public Comments (Time Permitting) **(Chambers)**

16. Proclamation Honoring Nicole Sandkulla **(Chambers)**

17. Directors’ Discussion: Comments, Questions and Agenda Requests **(Chambers)**

18. Date, Time and Location of Future Meetings **(Chambers)** Pg 71
(See attached schedule of meetings)

19. Adjourn to next meeting scheduled for March 20, 2026~~5~~ at 6:30pm **(Chambers)**

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Election of Officers for Calendar Year 2025**

Summary:

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

Discussion:

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Chair will close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
 - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
 - b. Ask if other directors would like to comment on behalf of the nominee.
 - c. Call for a vote of those in favor of each nominee, by a show of hands, or roll call vote if required due to teleconferencing.

Following the election of the chair, proceed to the election of vice chair using the same process.

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MEMORANDUM

TO: BAWSCA Board Members
FROM: Tom Smegal, Chief Executive Officer/General Manager
DATE: January 10, 2025
SUBJECT: Summary of Board Policy Committee meeting held December 11, 2024

1. **Call to Order:** Committee Chair, Karen Hardy, called the meeting to order at 1:31pm. CEO/General Manager, Tom Smegal called the roll. Six members (6) of the Committee were present at roll call. One member arrived in-person after roll call, and one member participating via teleconference joined after item #5A. A list of Committee members who were present (8), absent (1), and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Hardy noted that one Committee member will be participating via teleconference in accordance with the traditional Brown Act rules. All public comments shall be made in-person or from the teleconferencing location, and all committee actions will require a roll call vote.

A Closed Session is not needed and will be removed from the agenda.

3. **Consent Calendar:**

Director Ragsdale made a motion, seconded by Director Chambers, that the Committee approve the Minutes of the October 9, 2024 Board Policy Committee meeting.

The motion passed by roll call vote with one abstention.

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. **Proposed Fiscal Year 2025-26 Bond Surcharges:** Christina Tang, BAWSCA Finance Manager, reported that the bond surcharge setting is an annual process that BAWSCA does to ensure collection of necessary revenue to pay for the debt service obligations associated by the revenue bonds BAWSCA issued.

The bonds were originally issued in 2013 to prepay the remaining capital debt that wholesale customers owed San Francisco. In January 2023, BAWSCA refunded the tax exempt bonds to generate additional savings.

The bond surcharges are used for debt service payments, reimburse bond administration expenses, and replenish the Stabilization Fund as needed. Based on the recent review, no replenishment is necessary for the Stabilization Fund.

The proposed FY 2025-26 Bond Surcharges reflects savings from the original prepayment program in 2013 and the refunding completed in 2023. The total net present value savings from the recent bond transaction and the prepayment program is approximately \$6 million per year from 2023 to 2034, when the bonds will be paid off.

The proposed surcharges are calculated based on the Bond Indenture. The methodology used to calculate the surcharges for FY 2025-26 is the same as last year's.

Ms. Tang presented a table that shows the proposed FY 2025-26 bond surcharges for each agency on an annual basis and monthly basis. The collective total is \$21,942,348, which is equivalent to \$0.34 per ccf or 147 per acre foot based on the latest SFPUC wholesale water use projection. Ms. Tang noted that detailed explanation of the calculations are provided in the staff report.

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

Director Pierce made a motion, seconded by Director Vella, that the Committee recommend Board approval of the proposed FY 2025-26 bond surcharges as presented in Table 1 of the staff report.

The motion passed by roll call vote.

- B. Mid-Year 2024-25 Work Plan, Budget and General Reserve Review and Recommended Changes: CEO/General Manager Tom Smegal reported that the mid-year review of the current FY 2024-25 work plan and budget provides two minor changes. Those changes are the addition of new items; 11e and 11f in the work plan: 1) to recruit, hire and transition to a new CEO/General Manager, and; 2) the consideration of a Board policy directive for an adjustment to Board member compensation. The items have been ongoing over the last six months and have been managed, to date, within the overall legal counsel budget.

While no recommended changes in the current budget are needed, Mr. Smegal will continue to monitor work plan activities and update the Board if any changes are necessary.

The current General Reserve balance is \$1,356,288, which is approximately 24% of the operating budget and is well within the agency guidelines.

Mr. Smegal presented FY 2024-25 work plan items and their respective status. The workplan items are classified under four categories: Reliable Water Supply, High Quality Water, Fair Price, and Agency Effectiveness, and are grouped within eleven main areas of focus.

Reliable Supply

1. **Facility Reliability** includes BAWSCA's oversight of SFPUC's Water System Improvement Program (WSIP), 10-year Capital Improvement Program, Asset Management and Emergency Response. Work plan items in this area are in good standing, including SFPUC's recent release of its FY 2024 State of the Regional Water System Report in which BAWSCA's comments, through its active participation in the process, were incorporated.
2. **Long-term Water Supply Solutions** includes a suite of ongoing efforts that implements BAWSCA's current water supply strategy. Two of BAWSCA's biggest initiatives in this area are Strategy 2050 and the 2025 Regional Water Demand Projections Update. All efforts are on track.
3. **Near-term Water Supply Solutions** includes work on demand management, and water conservation and drought response. While all efforts are on schedule, Mr. Smegal highlighted BAWSCA's active role in supporting member agencies' compliance with the State's new "Making Water Conservation a California Way of Life" requirements. BAWSCA held a workshop with Valley Water as a regional effort to assist agencies with the interpretation, development and implementation of efforts to comply with the new regulation.
4. **Actions to Protect Member Agencies' Water Supply and Financial Interests in the Administration of the Water Supply Agreement (WSA):**

A current major effort in this area is BAWSCA's oversight of SFPUC's implementation of its Alternative Water Supply (AWS) Program, particularly due to recent developments in the Los Vaqueros Expansion program. It is important for BAWSCA to monitor and understand developments in SFPUC's AWS Program to ensure that it meets its water supply reliability obligations to the Wholesale Customers.

Another important item under this section is BAWSCA's facilitation in the agencies' adoption of a new Tier 2 Drought Allocation Plan. BAWSCA is working closely with the member agencies in preparing them to present the item to their governing bodies for adoption.

Those two major efforts are on track, along with BAWSCA's efforts on the 5th, 6th and 7th areas of focus; Bay Delta Plan and FERC process, Grant Opportunities, and the tracking and reporting of water supply and conservation activities.

High Quality:

8. **Supporting Member Agencies in Receiving Reliable Communication of Water Quality Issues** involves BAWSCA's ongoing collaboration with the SFPUC on Water Quality activities through the Joint Water Quality Committee.

Fair Price and Maintaining Allies:

9. **Working on Matters that Members Delegated to BAWSCA in the WSA** is a critical role for BAWSCA. It is the area of focus in which BAWSCA analyzes and audits SFPUC's costs to the wholesale customers annually through the Wholesale Revenue Requirement process. Mr. Smegal reported that BAWSCA is currently analyzing and

auditing multiple fiscal year reports due to SFPUC's delays in presenting its financials over the last couple of years. BAWSCA is managing it well.

10. **Maintaining Agency Allies and Contacts with Environmental Interests** are ongoing.

Agency Effectiveness:

11. **The work plan category of Managing the Activities of the Agency Professionally and Efficiently** reflects the needed changes with the addition of the two efforts associated with the recruitment and transition to a new CEO/General Manager, and the consideration of a Board policy directive for an adjustment to Board member compensation. Other items under this category are on track.

Mr. Smegal presented the recommended action and received comments and questions from members of the Committee.

Director Pierce asked if there is an agricultural component in the State's "Making Water Conservation a California Way of Life" regulation, and inquired about the status of the class action litigation on PFA's.

Water Resources Manager, Tom Francis, stated that there is no agricultural component in "Making Water Conservation a California Way of Life".

The federal level lawsuits on PFA's are creating interests at a state level to figure out what allowable levels of containment in water is appropriate. BAWSCA is collaborating with the Joint Water Quality Committee and member agencies to monitor developments in the State's work, staying informed of SFPUC's efforts in addressing PFA's in the regional supply, which has been reported as non-existent, and working with legal counsel to determine, if any, the appropriate level of participation by BAWSCA and/or member agencies in the litigation at the Federal level. Information can be regularly provided to the BPC and/or Board if the Board Chair sees it necessary.

In response to Director Hardy, Finance Manager, Christina Tang stated that BAWSCA's General Reserve guideline is a minimum of 20% and a maximum of 35% of the current operating budget.

Given the change-over at the Federal system, Director Schneider asked if there are items in the workplan or the budget that might change due to a slowdown on any new water quality requirements, keeping in mind what actions new federal regulations may potentially seize.

Mr. Smegal stated that he expects a variety of subject matters coming out of Washington which BAWSCA will monitor and evaluate how they might impact the BAWSCA region.

Director Zigterman wondered if, given the election year and new administration, staff should be directed to incorporate efforts to closely watch State and Federal regulations and consider efforts that may not have been included in the work plan and budget.

Mr. Smegal stated that since developments are not expected until after January 2025 or later, he would consider building efforts to address new issues in the FY 2025-26 work plan and budget.

Legal Counsel, Allison Schutte agreed with Mr. Smegal, and noted that water quality is generally driven by the SFPUC, which has an entire team dedicated to addressing State and Federal legislative activities. Developments in water quality issues come up with the Water Management Representatives (WMR) and the Joint Water Quality Committee that is comprised of SFPUC staff and BAWSCA membership staff, providing ongoing discussions on regulations at the technical level; and therefore, are considered in the workplan and budget. However, there are occasions in which unanticipated efforts arise, for example, the analysis of information and activities related to PFA's in the past year.

With no further comments from members of the Committee and the public, Chair Hardy called for a motion.

Director Zigterman made a motion, seconded by Director Chambers, that the Board Policy 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”.**

The motion passed unanimously by roll call vote.

6. CEO Reports:

- A. Bay-Delta Plan and FERC Update: Mr. Francis reported that the State Water Resources Control Board (SWRCB) released a Draft Phase 2 Bay Delta Plan Update, which includes a Program of Implementation (POI) for Phase 2 of the Bay Delta Plan.

Mr. Francis reminded the Committee that Phase 2 deals with the Sacramento River side of the Bay Delta Plan, and Phase 1 deals with the San Joaquin River side which involves BAWSCA's Voluntary Agreement (VA) on the Tuolumne River because the Tuolumne is a tributary to the San Joaquin River. Regardless, the Tuolumne River is included in terms of references in the POI for Phase 2; and therefore, BAWSCA and the SFPUC are taking a significant interest in the POI.

The POI presents unimpaired flow provisions and provisions for the Healthy Rivers and Landscape proposals, which refers to all the VA's. BAWSCA and the SFPUC are interested in how the VA's are being incorporated and referenced in Phase 2, particularly in the flow requirements and curtailments. A review of the POI by BAWSCA and the SFPUC is currently in progress. A link to the SWRCB documents is in the presentation which is posted on the BAWSCA website.

There are five (5) workshops designed to share the POI with the public. To date, three workshops have been held and two more will be held on December 12, 2024 and January 23, 2025 respectively. Workshops included panel presentations by State Board staff followed by additional panel presentations by representatives from various interested parties.

BAWSCA's engagement is important. Mr. Francis attended and will continue to attend the workshops to stay aware of what transpires and take note of concerns and significant comments that may or may not play into the adoption or consideration of Phase 1 by the State Board.

Director Hardy asked Mr. Francis for his opinion on the VA's being referred to as "Healthy Rivers and Landscape".

Mr. Francis stated that BAWSCA and the SFPUC sees the reference to VA's as "Healthy Rivers and Landscapes" as positive and appropriate because it is not just river flow that is needed, but also habitat development. BAWSCA, member agencies and the SFPUC are learning a lot from the workshops including what potential changes may be requested by the State Board. Some of the timelines may be delayed, but until the SWRCB gets through all the workshops, details on how the schedule may be impacted is not yet known.

New Tier 2 Drought Allocation Plan Update: Senior Water Resources Analyst, Danielle McPherson, reported that each agencies' legal counsel and upper management has been invited to attend the December 12th WMR meeting to discuss details of Tier 2 and a WSA amendment.

BAWSCA, legal counsel and the WMRs continue to make progress in developing the packet of adoption materials to update the Tier 2 Plan and related topics in the WSA. The packet is expected to be finalized in December.

The Wholesale Customers will consider adoption of the new Tier 2 and the WSA amendment following the SFPUC Commission's consideration of the WSA amendment which is expected as early as January 2025.

Director Hardy and Director Pierce expressed their appreciation for Ms. McPherson's notable effort in facilitating the negotiations. The process expanded the relationships and trust among the 26 member agencies. Director Pierce believes that members of the Board share the same sentiments.

Director Ragsdale stated that she is confident that Board members will be happy to provide the support staff may need with their respective governing bodies.

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

- B. Review of FY 2025-26 Work Plan and Operating Budget Preparation Process: Mr. Smegal reported that BAWSCA's work plan and budget development process has been initiated with an assessment of long-term critical issues and major challenges. The information forms the basis of the results to be achieved for the fiscal year.

The January 16th Board meeting agenda will include a work plan and budget planning session in which Board members can share their ideas and interests in what results the agency should achieve. The planning session will help form a preliminary work plan that will be presented to the BPC in February for discussion, and to the Board in March. A proposed work plan and fiscal year operating budget will be presented to the BPC in April, for consideration by the Board at its meeting in May.

BAWSCA's fiscal year period begins on July 1st and extends through June 30th of the subsequent calendar year.

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

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:** N/A.

9. **Comments by Committee Members:** Director Ragsdale expressed her appreciation for Nicole's service as BAWSCA's CEO/General Manager and welcomed Tom Smegal as BAWSCA's successor.

Director Vella commented that he would be interested in continuing to see Water Management Representatives report to the Board periodically.

Nicole Sandkulla is pleased to see the transition of leadership with Tom Smegal and expressed her appreciation for the amazing opportunity to serve the region, and for the Board's support in her role as CEO/General Manager.

Director Schneider congratulated Ms. Sandkulla and noted the former BAWSCA Director Dan Quigg is looking forward to attending the retirement event.

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

10. **Adjournment:** The meeting was adjourned at 2:16pm. The next meeting is February 12, 2025 in the regularly scheduled location of Burlingame Community Center, Sequoia Room.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Dec. 11, 2024	Oct. 9, 2024	Aug. 14, 2024	Jun. 12, 2024	Apr. 10, 2024	Feb. 14, 2024
Santa Clara	Hardy, Karen (C)	✓	✓	MEETING CANCELLED	✓	✓	✓
Hillsborough	Ragsdale, Leslie (VC)	✓	✓		✓	✓	✓
Westborough	Chambers, Tom	✓	✓		✓	✓	✓
Menlo Park	Doerr, Maria				✓	✓	✓
CalWater	Duncan, Darin	✓	✓		✓	✓	✓
Redwood City	Pierce, Barbara	✓	☎		✓	☎	✓
Millbrae	Schneider, Ann	☎	✓		✓	✓	✓
MPWD	Vella, Lou	✓	✓		☎	✓	☎
Stanford	Zigterman, Tom	✓			✓	✓	✓

✓: present

☎: Teleconference

December 11, 2024 Meeting Attendance (*In-Person*)

BAWSCA Staff:


Tom Smegal	CEO/General Manager	Allison Schutte	Legal Counsel, Hanson Bridgett
Nicole Sandkulla	Transition CEO/General Manager		
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:

Alison Kastama SFPUC



These minutes are a true record of the BAWSCA Board actions taken on November 21, 2024, at its duly-noticed public meeting in Burlingame, California.

By:  Date: November 25, 2024
Thomas Chambers
Chair of the Board

ATTEST:

I hereby certify that the foregoing is a true and correct record of the minutes of BAWSCA Board meeting held on November 21, 2024.

By:  Date: November 25, 2024
Nicole Sandkulla
Secretary

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

November 21, 2024 – 6:30 p.m.

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:34 pm.

BAWSCA Chair, Tom Chambers, called the meeting to order. CEO/General Manager Nicole Sandkulla called the roll. Twenty (20) members of the Board were present with one by teleconference at roll call. Three members of the Board arrived after roll call. A list of Directors present (23) and absent (3) is attached.

2. Comments by the Chair:

Chair Chambers welcomed members of the Board and noted that Director Doerr is on teleconference in accordance with the traditional Brown Act rules.

The Chair noted several actions on the agenda that continue the Board's important work in support of the agency's transition to a new CEO/General Manager, as well as the consideration of a change in the approved compensation for Board members per day of service.

3. Board Policy Committee Report: Director Hardy reported that the Committee met on October 9, 2024 where it had robust discussions on what the Committee is recommending to the Board and which are accurately presented in the Board Policy Committee Summary Report.

4. SFPUC Report: Steve Ritchie, SFPUC Assistant General Manager for Water Enterprise, provided a water supply update reporting that reservoir levels are high due to the wet year in 2023-24. Precipitation upcountry and in the Bay Area are expected to be above average for the month of November. Total deliveries during the summer months of 2024 were above the 5-year average as a result of the hot summer months. As the year ends, demands will move towards the lowest winter time water use, which is roughly 140 mgd.

William Sears, Science and Policy Analyst for the Natural Resources & Lands Management Division, reported on the SFPUC's Upper Tuolumne River Ecosystem Program and Environmental Flow Study, highlighting the effort's focus on science to better manage the river downstream of O'Shaughnessy Dam for ecological benefits over time

Questions and Comments were received from members of the Board.

There were no public comments.

5. Consent Calendar: There were no comments or questions from members of the Board or from members of the public.

Director Mehlinger made a motion, seconded by Director Hardy, that the Board approve the Minutes of the September 19, 2024 meeting, Receive

and File the Budget Status Report as of September 30, 2024, the Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2023-24, Directors' Reimbursement Report as of September 30, 2024, Employees' Reimbursement Report as of September 30, 2024, Investment Report as of October 31, 2024, Adopt Resolution #2024-03 Approving the Extension of the 2021 Amended and Restated Tier 2 Drought Response Implementation Plan, and Re-Affirm BAWSCA's Statement of Investment Policy.

The motion passed unanimously by roll call vote. See attached voting log.

6. Public Comments on Items Not on the Agenda:

There were no public comments.

7. Special Report:

- A. Transition Plan for CEO/General Manager: Legal Counsel, Allison Schutte, reported that as stated in the Item's staff report, the Board Policy Committee (BPC) previously reviewed the proposed creation of a Transition Manager position to facilitate transition of the CEO/General Manager role over to Tom Smegal. However, since the BPC met, changes are now presented based on CalPERS' recommendation that BAWSCA keep Ms. Sandkulla in the employee classification of "CEO/GM" for the transition period (anticipated to be the month of December).

Mr. Smegal's employment contract will state that he will have the sole authority to bind the agency.

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

8. Action Item:

- A. Resolution Approving the Temporary Appointment of Nicole Sandkulla as Special Counsel to the CEO/GM and Making Findings in Support of the Appointment:

Director Stevenson made a motion, seconded by Director Pierce, that the Board adopt Resolution #2024-04 approving the temporary appointment of Nicole Sandkulla to the position of Special Counsel to the CEO/General Manager and making associated findings in support of such an appointment.

The motion carried unanimously by roll call vote. See attached voting log.

- B. Approval and Adoption of BAWSCA Retroactive Pay Schedules for FY 2020-21 through FY 2024-25:

Director Hamilton made a motion, seconded by Director Hardy, that the Board approve and adopt the BAWSCA Retroactive Pay Schedules for FY 2020-21 through FY 2024-25.

The motion carried unanimously by roll call vote. See attached voting log.

C. Public Hearing and Consideration of Possible Adoption of Ordinance #2024-01 to Increase Board Member Compensation:

Chair Chambers opened the public hearing at 7:12pm.

Ms. Schutte reported that BAWSCA's existing Board compensation Ordinance was adopted on June 17, 2004. Board members are currently compensated \$100 per day of service, up to 4 days per month.

The matter of increasing Board member compensation from \$100 to \$200 per day of service was previously raised at the March 2023 Board Meeting and has been discussed by the Board Policy Committee in April and June 2023 and in June 12, 2024 with no further action at those meetings.

At the September 19, 2024 meeting, the Board directed Legal Counsel to prepare a revised Ordinance for Board member compensation that increases the meeting attendance stipend from \$100 to \$200 per day of service, and requires Board review of member compensation every 5 years.

At the October 9, 2024 Board Policy Committee meeting, the Committee discussed the proposal and directed Legal Counsel to publish a notice of a Public Hearing and to prepare for holding a Public Hearing for consideration of Ordinance #2024-01 at the November 21, 2024 Board meeting.

A Notice of Public Hearing was published in the San Jose Mercury News on November 6 and 13, 2024.

There were no comments from members of the public.

Chair Chambers closed the hearing at 7:15pm.

Board member questions and comments were received from the Board.

Director Hardy made a motion to bifurcate the motion and consider the adoption of the requirement that the Board review Board Compensation on a 5 year interval as a separate motion. This motion was seconded by Director Mehlinger.

Further discussion of the motion ensued.

Legal Counsel explained that the Board Action stated in the Legal Notice for the Public Hearing states the establishment of a 5-year review and an increase in the Board compensation. Both concepts have to be voted on by the Board.

Ms. Schutte stated that there is no prohibition against bifurcating the recommended Board action.

At the request of the Board, Legal Counsel clarified that the motion on the table is as follows:

That the Board require the review of Board Compensation on a 5-year interval in coordination with the Budget process. The current FY 2024-25 is year one.

There were no further discussion on the motion.

The motion carried 22:1 by roll call vote. See attached voting log.

Director Mehlinger made a new motion, seconded by Director Piccolotti, that Board compensation be increased to \$200 effective July 1, 2025.

Further comments and discussions ensued.

The motion passed 16:7 by roll call vote. See attached voting log.

9. CEO Reports:

BAWSCA Finance Manager, Christina Tang, provided an update on BAWSCA's OPEB Liability Funded Status and Pension Liability Funded Status, along with SFPUC's Pension Liability Funded Status maintained by the City and County of San Francisco.

Water Resource Manager, Tom Francis, reported the status of the Los Vaqueros Expansion Project and recent actions by the Contra Costa Water District.

Ms. Sandkulla reported the State Water Resource Control Board's (SWRCB) release of the Draft Phase 2 Bay Delta Plan Updates which includes a Program of Implementation (POI) for Phase 2 of the Bay Delta Plan. The SWRCB has 5 workshops scheduled to present and discuss the Draft Phase 2 Plan Updates with the public. BAWSCA will be engaged in the workshops and will keep the Board informed.

10. Closed Session: The Board adjourned to Closed Session at 8:35pm

11. Report from Closed Session: Ms. Schutte reported that Closed Session ended at 8:50pm and no reportable action was taken.

12. Additional Time for Public Comments (Time Permitting):

There were no comments from members of the public.

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

Director Matchak announced that her council term will end as of January 14th and will be asking for the appointment of someone from the Council to take her seat on the BAWSCA Board. She expressed her appreciation for the opportunity to work with the members of the Board.

Director Doerr announced that this too is her final BAWSCA meeting. She expressed her appreciation for the opportunity to serve on the Board and looks forward to staying in touch.

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

15. Adjournment: The meeting adjourned at 8:54pm.

Respectfully submitted,



Nicole Sandkulla
CEO/General Manager

NS/le

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

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Roll Call & Voting Log - BAWSCA

Meeting Date: 21-Nov-24

Agency	Director	Bifurcated Motion for Item #8C						Weighted Voting ⁽²⁾	
		Present/ Absent	Item #6 Consent	Item #8A Resolution #2024-04 Roll Call	Item #8B Retroactive Pay Schedules Roll Call	Motion #1 5-Year Review	Motion #2 \$200 increase as of July 1st	Weighted "Yes" Votes	Weighted "No" Votes
Hayward	Andrews, Angela	y	y	y	y	y	y		
Brisbane	Breault, Randy	y	y	y	y	y	n		
Guadalupe	Breault, Randy	y	y	y	y	y	n		
Westborough	Chambers, Tom	y	y	y	y	y	n		
San Jose	Cohen, David	y	y	y	y	y	y		
Menlo Park	Doerr, Maria	☎	☎	☎	☎	☎	☎		
CalWater	Duncan, Darin	y	y	y	y	y	y		
San Bruno	Hamilton, Tom	y	y	y	y	y	y		
Santa Clara	Hardy, Karen	y	y	y	y	y	n		
Foster City	Hindi, Sam	0	0	0	0	0	0		
Purissima	Jordan, Steve	y	y	y	y	y	y		
East Palo Alto	Lopez, Antonio	0	0	0	0	0	0		
Daly City	Manalo, Juslyn	y	0	0	0	0	y		
Mountain View	Matichak, Lisa	y	y	y	y	y	n		
Sunnyvale	Mehlinger, Richard	y	y	y	y	y	y		
Coastside	Mickelsen, Chris	y	y	y	y	y	y		
Milpitas	Montano, Carmen	y	y	y	y	y	y		
North Coast	Piccolotti, Tom	y	y	y	y	y	y		
Redwood City	Pierce, Barbara	y	y	y	y	y	n		
Hillsborough	Ragsdale, Leslie	y	y	y	y	y	y		
Millbrae	Schneider, Ann	y	y	y	y	n	n		
Burlingame	Stevenson, Peter	y	y	y	y	y	y		
Palo Alto	Stone, Greer	y	y	y	y	y	y		
Mid-Peninsula	Vella, Louis	0	0	0	0	0	0		
ACWD	Weed, John	y	y	y	y	y	y		
Stanford	Zigterman, Tom	y	y	y	y	y	y		

Vote Tally

							Weighted Vote Summary	
	Yes (y)	No (n)	Absent (0)	Abstain (a)			"Yes"	"No"
Yes (y)	23	22	22	22	21	16		
No (n)	0	0	0	0	1	7		
Absent (0)	3	4	4	4	4	3		
Abstain (a)	0	0	0	0	0	0		
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

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting Attendance Roster

Director	Agency	Nov. 21, 2024	Sept. 19, 2024	July 18, 2024	May 16, 2024	Mar. 21, 2024	Jan. 18, 2024
Andrews, Angela	Hayward	✓	✓	✓	✓	✓	✓
Breault, Randy	Guadalupe	✓	✓	✓	✓	✓	✓
Breault, Randy	Brisbane	✓	✓	✓	✓	✓	✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Cohen, David	San Jose	✓					✓
Doerr, Maria	Menlo Park	☎		✓	✓	✓	✓
Duncan, Darin	Cal Water	✓	✓	✓	✓	✓	✓*
Hamilton, Tom	San Bruno	✓		✓	✓	✓	✓
Hardy, Karen	Santa Clara	✓	✓	✓	✓	✓	✓
Hindi, Sam	Foster City		✓	✓			✓
Jordan, Steve	Purissima	✓	✓	✓		☎	✓
Lopez, Antonio	East Palo Alto		✓	✓	✓	✓	
Manalo, Juslyn	Daly City	✓	✓		☎		
Matichak, Lisa	Mountain View	✓	✓	✓	✓	✓	✓
Mehlinger, Richard	Sunnyvale	✓	✓		✓		✓*
Mickelsen, Chris	Coastside	✓	✓	✓	✓	✓	
Montano, Carmen	Milpitas	✓	✓	✓	✓		
Piccolotti, Tom	North Coast	✓	✓		✓	✓	✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓	✓
Ragsdale, Leslie	Hillsborough	✓	✓	✓	✓	✓	✓
Schneider, Ann	Millbrae	✓	✓	✓	✓	☎	✓
Stone, Greer	Palo Alto	✓			✓	✓	
Stevenson, Peter	Burlingame	✓	✓	✓			✓
Vella, Louis	Mid-Peninsula		✓	☎	✓	✓	✓
Weed, John	ACWD	✓	✓	✓	✓	✓	✓
Zigterman, Tom	Stanford	✓	✓	☎	✓	✓	

✓ : Present

* : Predecessor

☎ : Teleconference

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: Tom Smegal, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 3, 2025

SUBJECT: Budget Status Report as of November 30, 2024

This memorandum shows fiscal year budget status for FY 2024-25. 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 five-month period ending November 30, 2024, 42 percent into the fiscal year, total expenditures were \$2,162,926 or 39 percent of the total budget of \$5,614,518.

Table 1. Operating Budget Summary as of November 30, 2024

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
Consultants /Direct Expenditures			
Reliability	2,102,550	574,586	27%
Fair Pricing	337,500	66,745	20%
Administration	165,000	259,509	157%
Subtotal	2,605,050	900,840	35%
Administration and General			
Salary & Benefits	2,448,143	1,057,497	43%
Other Expenses			
BAWSCA	520,750	204,590	39%
BAWUA	1,050	0	0%
Subtotal	5,549,993	2,162,926	39%
Capital Expenses	5,000	0	0%
Budgeted Contingency	32,500	0	0%
Regional Financing Authority	2,025	0	0%
Grand Total	5,614,518	2,162,926	39%

Overview:

Overall expenditures for FY 2024-25 are tracking within budget.

Consultants

The \$115,000 budget for technical review and tracking of the SFPUC’s Water System Improvement Program was 9 percent expended. The Operating Budget allocation of \$905,000 budget for legal counsel was 53 percent expended. The \$255,000 budget for water management and conservation-related activities was 30 percent expended.

Administration and Other Expenses

Budgets for salaries and other expenses were 43 percent and 39 percent respectively.

Use of CEO’s Discretionary Spending Authority:

No use of CEO discretionary spending authority occurred during this period.

Use of Reserve and Reserve Fund Balance:

Unspent funds at the end of FY 2023-24 were \$237,018. The General Reserve balance as of November 30, 2024, reflects the transfer of unspent funds from FY 2023-2024 in accordance with BAWSCA’s General Reserve Policy and represents 24% of the adopted FY 24-25 Operating Budget.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 10/31/24)	Account Balance (As of 11/30/24)
General Reserve	\$1,119,270	\$1,356,288

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: Tom Smegal, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 6, 2025

SUBJECT: Investment Report – As of December 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. The Board most recently reviewed the investment policy at the November 21, 2024 board meeting.

BAWSCA funds not deposited in banks are invested in 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>10/31/24</u>	<u>12/31/24</u>
\$3,571,687	\$3,571,687

Of the total in the BAWSCA LAIF account as of December 31, 2024, \$1,356,288 represents BAWSCA's General Reserve Fund, equivalent to approximately 24 percent of FY 2024-2025 Operating Budget, within our goal of 20-35% of our current Operating Budget. The remaining amount consists of unrestricted funds.

Annualized interest rates for the most recent quarters for LAIF deposits are shown below:

<u>06/30/24</u>	<u>09/30/24</u>
4.55%	4.71%

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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: Tom Smegal, CEO/General Manager

FROM: Christina Tang, Finance Manager

DATE: January 6, 2025

SUBJECT: Bond Surcharge Collection, Account Balance and Payment Report as of September 30, 2024

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 July and August 2024 have been collected and remitted to BAWSCA’s trustee account. Payments of surcharges billed for September 2024 are still being received and expected to be remitted to the trustee account by January 15, 2025. Table 1 below presents a summary of financial transactions related to BAWSCA’s Bond Series 2023A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 9/30/2024

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>	<u>Difference</u>
July 2024	\$1,827,602	\$1,827,602	\$0
August 2024	\$1,827,602	\$1,827,602	\$0
September 2024	<u>\$1,827,602</u>	<u>\$1,800,708</u>	<u>\$26,894</u>
Total	\$5,482,806	\$5,455,912	\$26,894

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 9/30/2024

	29,081,936	Account Market Value as of 6/30/2024
<i>plus:</i>	<i>5,165,091</i>	<i>Surcharge Collected in July 2024 through September 2024</i>
<i>plus:</i>	<i>372,121</i>	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
<i>plus:</i>	<i>280,655</i>	<i>Change in Market Value of Held and Matured Treasury Bonds</i>
<i>plus:</i>	<i>(12,225)</i>	<i>Reimbursement to BAWSCA for bond administration expenses</i>
	34,887,578	Account Market Value as of 9/30/2024

In April 2024, BAWSCA re-evaluated its investment strategy for the bond stabilization fund during the annual review of the Investment Policy. During the third quarter, the Federal Reserve reduced interest rates from their highest level in over twenty years as progress on inflation improved and the balance of risks between full employment and price stability had roughly equalized. Rates in the 0-5 year range had declined over the quarter, and future developments with regards to continued progress on inflation and the health of the labor market will have important implications going forward. 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.

Just prior to security maturities on September 30, 2024, the book yield and market yield on BAWSCA’s revised portfolio strategy was 2.46% and 3.45% respectively, as compared to the yield of 4.83% for the money market fund.

All investment interest earnings are deposited directly in 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.

Revenue Bond Series 2023A and Series 2013B Debt Service Payment Status

The recent debt service payment of \$17,690,534 was made on October 1, 2024. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$3,986,572 will be made on April 1, 2025. 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.

BAWSCA

Bay Area Water Supply & Conservation Agency

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San Mateo, California 94402
(650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: Tom Smegal, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 3, 2025

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending December 31, 2024

In March 2006, the board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending December 31, 2024.

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BAWSCA

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 San Mateo, California 94402
 (650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: Tom Smegal, CEO/General Manager

FROM: Deborah Grimes, Office Manager

DATE: January 6, 2025

SUBJECT: Employees’ Reimbursement Quarterly Report for the Period Ending December 31, 2024

This report is prepared pursuant to Government Code Section 53065.5: Each special district, as defined by subdivision (a) of Section 56036, shall, at least annually, disclose any reimbursement paid by the district within the immediately preceding fiscal year of at least one hundred dollars (\$100) for each individual charge for services or product received. “Individual charge” includes, but is not limited to, one meal, lodging for one day, transportation, or a registration fee paid to any employee or member of the governing body of the district. The disclosure requirement shall be fulfilled by including the reimbursement information in a document published or printed at least annually by a date determined by that district and shall be made available for public inspection.

Table 1 presents the reimbursed expenses for BAWSCA employees during the quarter ending December 31, 2024.

Table 1. Employee Reimbursement Expenses

BAWSCA Employee	Expense Amount	Purpose
Negin Ashoori	\$962	<ul style="list-style-type: none"> • Travel expenses AWCA Fall Conference – December 2024
Christiane Barth	\$2,678	<ul style="list-style-type: none"> • Meeting expenses October – December 2024
Deborah Grimes	\$2,197	<ul style="list-style-type: none"> • ACWA Fall Conference registration - Nicole Sandkulla and Negin Ashoori • Continuing education
Danielle McPherson	\$535	<ul style="list-style-type: none"> • Supplies WaterUse Efficiency Workshop - October 2024
Nicole Sandkulla	\$4,674	<ul style="list-style-type: none"> • Travel expenses H2O Conference – October 2024 • Travel expenses ACWA Fall Conference December 2024

January 16, 2025 – Agenda Item #9F

		<ul style="list-style-type: none">• ACWA Fall Conference registration for Tom Smegal• CEO recruitment
Lourdes Enriquez	\$1,649	<ul style="list-style-type: none">• SJ Mercury legal posting• Office supplies

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS 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.

Board Policy Committee Action:

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

Recommendation:

That the Board approve 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.

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**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

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS 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.

Board Policy Committee Action:

The Committee voted unanimously to recommend the proposed Board action.

Recommendation:

That the Board approve 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 may 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

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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 1 st 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 1 st 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

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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.
	7. <u>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 1 st 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

<p>(Mid-Year Status Shown in 1st Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)</p>		
<p>BAWSCA OBJECTIVE & FY 2024-25 WORK PLAN</p>		
		<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.
	<p>AGENCY EFFECTIVENESS</p>	
	<p>10. <u>Maintain Community Allies and Contacts with Environmental Interests</u></p>	
✓	<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.
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(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>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

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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 – Board Engagement Approach**

Summary:

This memorandum is for informational purposes to provide details of the plan for BAWSCA board engagement during the development of Strategy 2050.

Preparation of Strategy 2050 officially began on January 1, 2025, and will continue through January 2027. Strategy 2050’s Scope of Work (SOW) is comprised of a number of key tasks and associated subtasks. Feedback from both the Board and Water Management Representatives (WMR) will be collected as this task effort unfolds. Feedback will be collected via Board participation in a number of proposed Workshops as well as via input received during discussions that will take place during upcoming Board Meetings and Board Policy Committee (BPC) Meetings.

Recommendation:

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

Discussion:

To ensure continued collaboration and input throughout the development of Strategy 2050, BAWSCA has prepared a schedule identifying key milestones and opportunities for Board and WMR engagement. A number of Board Workshops are proposed, aside from regular status updates that will be provided during upcoming Board and BPC meetings where engagement will take place.

The Board and WMR Workshop Schedule for calendar year 2025, by anticipated discussion topic, is presented in Figure 1. The Board Workshop schedule is subject to change based on work progress over the coming two years. Exact dates of each Workshop will be made available at least 30 days in advance of each event. Details regarding Board Workshops and engagement in 2026 will be provided as Strategy 2050 moves forward in the development cycle.

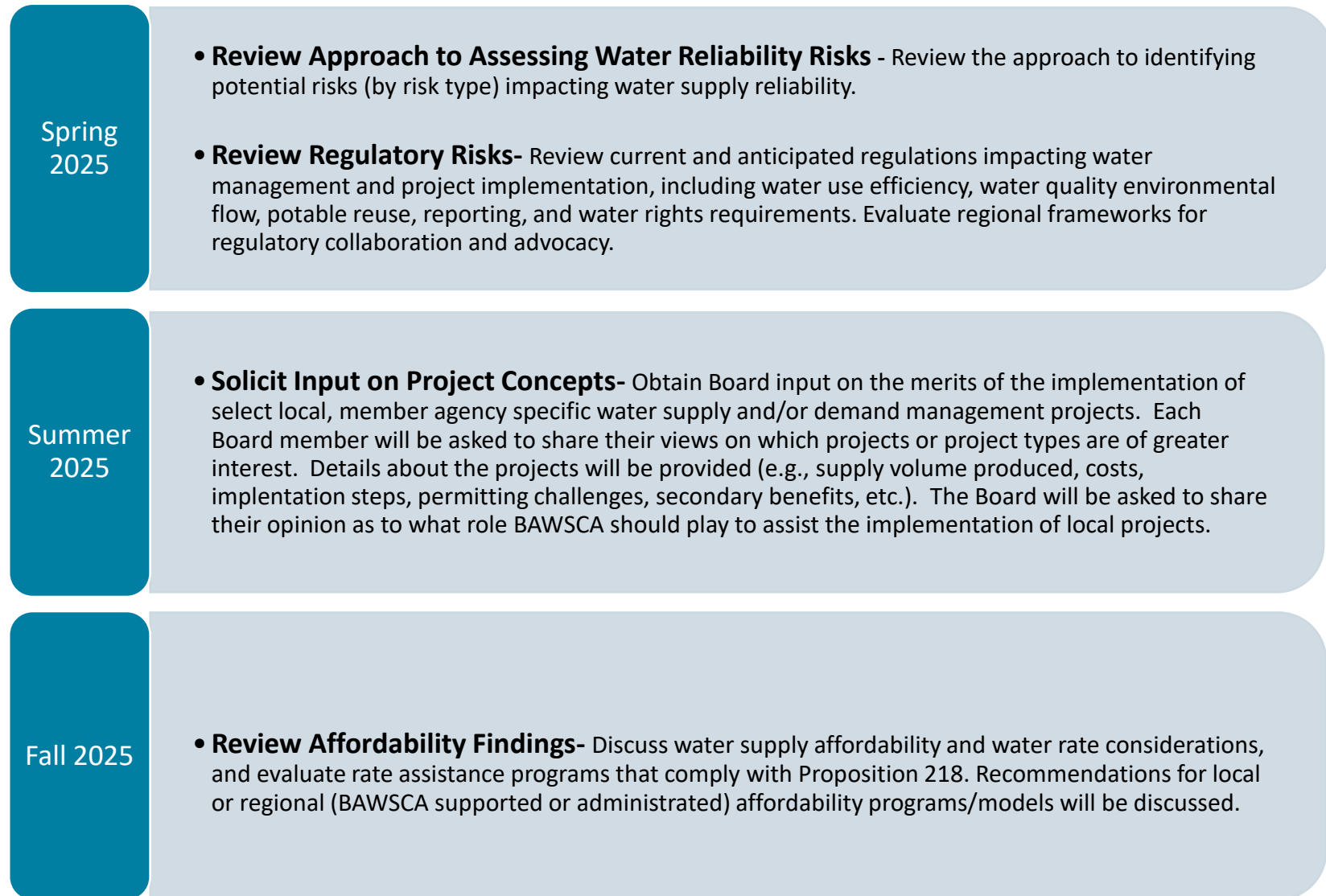
The schedule proposed allows for Board engagement during critical stages of Strategy 2050 development. Engagement will enable the Board to offer their suggestions and provide guidance on elements of Strategy 2050 as the work proceeds. In addition, the perspective of agency staff as gained from WMR Workshops will also be shared with the Board.

For example, the first Workshop will take place in the Spring of 2025. A section of discussion at the workshop will focus on how identified Federal, State and Local regulations, current and anticipated, pose a risk to water supply reliability. As an organization, it may be in BAWSCA’s interest to provide a guidance role for the member agencies as they craft proposed responses to particular water supply reliability risks that result from new or proposed regulations. In certain cases, it may be in the member agencies’ interest for BAWSCA to take on a lead role. By participating in this Workshop, the Board will learn about the regulatory risks that have been identified through the Strategy 2050 work efforts and weigh in on the role BAWSCA should play.

A total of eight Board Workshops are included as part of the SOW for Strategy 2050 with three scheduled to take place in 2025.

Suggestions and comments on the proposed approach and schedule for gaining BAWSCA Board input on Strategy 2050 will be sought at the upcoming January 16, 2025 BAWSCA Board Meeting. That input will be used to consider adjustments to the approach.

Figure 1: Strategy 2050 – BAWSCA Board and Water Management Representatives Workshop Schedule for 2025



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(650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Tom Smegal, CEO/General Manager
DATE: January 10, 2025
SUBJECT: Chief Executive Officer/General Manager's Letter

Water Use Efficiency Requirements - Update

Each January 1st, Urban Water Suppliers must submit a report to the State Water Resources Control Board (State Board) demonstrating compliance, or progress towards compliance, with their Urban Water Use Objectives. To assist agencies, BAWSCA offers a subscription program that helps complete the standard report form.

As implementation of the State's Water Use Efficiency Requirements moves forward in the coming years, the requirements placed on Urban Water Suppliers grows. Requirements include more detailed reporting regarding how an agency assists its customers, both residential as well as Commercial, Industrial, and Institutional (CII). Moreover, documentation as to how those efforts have helped improve efficiency must be submitted. BAWSCA has been tracking these requirements and keep member agencies apprised via updates at regularly scheduled meetings of the Water Management Representatives as well as at topic-specific workshops.

BAWSCA is working toward the development of conservation programs, both core programs as well as subscription programs, that would help member agencies achieve long-term compliance with all regulatory requirements, including those related to CII customers. The approach of the programs will aim to streamline work, leverage economies of scale, and maximize the benefits of regional partnerships.

In the coming months, BAWSCA is seeking input from member agency representatives to better understand what assistance from BAWSCA is desired. Member agency feedback may lead to the creation of new or expanded core and subscription conservation programs in the coming fiscal years. Care must be taken to assure that the assistance desired by member agencies aligns with BAWSCA's capabilities. This work also has a nexus with the Strategy 2050 development effort currently underway. The BAWSCA Board will be engaged as this effort moves forward.

On January 6, 2025, the Water Board posted a new [FAQ document](https://waterboards.ca.gov/conservation/reg/docs/2025/conservation-reg-faq.pdf) that provides a broad overview of the new regulations. The FAQ can be found at <https://waterboards.ca.gov/conservation/reg/docs/2025/conservation-reg-faq.pdf>

Status of Wholesale Revenue Requirement (WRR) Reviews for FY 2020-21 through FY 2023-24

FY 2020-21 WRR: Due to SFPUC's delayed progress in addressing BAWSCA's questions in connection with the FY 2020-21 WRR cost allocation, the parties signed a tolling agreement on September 3, 2024. This agreement extends the date by which the parties may enter into a settlement agreement or the Wholesale Customers may serve a demand for arbitration regarding issues related to FY 2020-21 from September 14, 2024 to November 13, 2024. Subsequently, the SFPUC requested a 30-day extension, as allowed by the tolling agreement, to December 13, 2024. Recently, the SFPUC requested to further extend the tolling agreement by 3 more months. This request has moved the deadline for the expiration of the current FY 2020-21 tolling agreement to March 13, 2025.

FY 2021-22 WRR: Due to SFPUC's delayed progress in addressing BAWSCA's questions in connection with the FY 2021-22 WRR cost allocation, the parties signed a tolling agreement on December 19, 2024. This agreement extends the date by which the parties may enter into a settlement agreement or the Wholesale Customers may serve a demand for arbitration regarding issues related to FY 2021-22 from January 3, 2025 to July 3, 2025.

FY 2022-23 WRR: On October 10, 2024, BAWSCA received the compliance auditor's report and the audited WRR financial statements for FY 2022-23. Pursuant to Section 7.06 of the WSA, BAWSCA conducted its review of the SFPUC's calculation of the annual WRR and the changes in the balancing account for FY 2022-23. As a result of the review, BAWSCA sent some questions to the SFPUC on December 9, 2024. BAWSCA is waiting for the SFPUC's response. The deadline for the parties to enter into a settlement agreement or for the Wholesale Customers to serve a demand for arbitration regarding issues related to FY 2022-23 is October 10, 2025.

FY 2023-24 WRR: On November 27, 2024, the SFPUC provided BAWSCA and the compliance auditor with the draft FY 2023-24 WRR calculation. Pursuant to Section 7.04 of the WSA, the compliance auditor will review the SFPUC's calculation in accordance with Generally Accepted Auditing Standards (GAAS) and issue its report no later than March 31, 2025. Upon the issuance of the compliance auditor's report, BAWSCA will conduct its 60-day review promptly. The deadline for the parties to enter into a settlement agreement or for the Wholesale Customers to serve a demand for arbitration regarding issues related to FY 2023-24 is twelve months from the date when the compliance auditor issues its report.

FY 2024-25 Budget Adjustment for Legal Counsel

In accordance with Board authorization at the May 16, 2024 Board meeting, the Ad Hoc Executive Recruitment Committee evaluated proposals from Executive Recruiting firms and directed former CEO Sandkulla and Legal Counsel Schutte to engage a professional services agreement with Koff & Associates to conduct the Executive Recruitment for the CEO position. In order to maintain confidentiality, Legal Counsel engaged the agreement with Koff & Associates directly. Accordingly, the CEO has executed a First Amendment to the FY 2024-25 professional services contract with Hanson Bridgett, increasing the budget by \$25,000 for a new total not to exceed budget from \$880,000 to \$905,000. This amendment is funded using \$25,000 from the contingency budget. The account balance of the contingency budget is \$57,500. There would be no fiscal impact on the total adopted budget for FY 2024-25.

SFPUC Water Meter Billing

In the late Spring of 2024, it came to the attention of the SFPUC's finance department that approximately 8,200 of their retail customers had not been receiving a water bill. The period for which no bills were issued varied by customer, with some having not received a bill for months, and others having not received a bill for one year or more. Billing problems are tied to the SFPUC's Advanced Metering Infrastructure (AMI) units. Specifically, technical problems were present such

that AMI transponders, which are used to communicate customers' water usage to the SFPUC's billing system, were not operating.

The SFPUC began notifying customers about the issue in September 2024. Notifications have since been followed up with a water bill covering the missing charges. As of December 18, 2024, about 4,200 customers still had not received their water bills. The SFPUC intends to collect the money owed, yet they also have proposed payment plans to assist the impacted residents. This matter has been widely reported in local media in recent months.

SFPUC has assured BAWSCA that the issues impacting their retail AMI units and associated retail customer billings are not happening on the wholesale side. However, BAWSCA has recently asked member agencies to provide BAWSCA with details as to whether their wholesale meter readings are timely and deemed correct, and to assure that accurate monthly bills are being issued by the SFPUC. BAWSCA will stay apprised of this matter and report back to the BAWSCA Board if problems are uncovered.

SWRCB's Draft Bay-Delta Plan Update for the Sacramento River Portion of the Bay-Delta (e.g., Draft Phase 2 Bay-Delta Plan Update)

In the fall of 2024, the State Board released draft documentation associated with its proposed update of the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Watershed (Bay-Delta Plan). Specifically, the update materials released focused on portions of the Plan relevant to the Sacramento River watershed, which is termed as "the Phase 2 Update". The Tuolumne River is part of what is termed "the Phase 1 Update", which focuses on the San Joaquin River watersheds. Phase 1 update follows a separate public process and timeline. BAWSCA has been tracking the State Board's Phase 1 efforts closely over the recent years and typically the information BAWSCA shares with the BAWSCA Board is related to Phase 1 matters.

The draft Phase 2 Update includes provisions based on voluntary agreements (VAs) proposed by public water agencies and state and federal agencies known as the Healthy Rivers and Landscapes Proposal and which are referred to as the "VA pathway" or "VA provisions". Those regulatory provisions proposed for Phase 2 VAs are applicable to what potentially would be required for Phase 1 VAs. BAWSCA has shared details of the VA for the Tuolumne River with the BAWSCA Board including the reasoning behind BAWSCA's support of the proposed Tuolumne River VA. Since any decisions regarding Phase 2 VA requirements will impact Phase 1 VA requirements, BAWSCA has an interest in the outcome of the discussions and negotiations taking place.

To date, the State Board has held four workshops where the draft Phase 2 documentation has been discussed. BAWSCA staff have attended those workshops. Written public comments on the Draft Phase 2 documentation were due to the State Board by Friday January 10, 2025. BAWSCA submitted a comment letter, which has been included as part of the correspondence packet for this BAWSCA Board Meeting. The comment letter reiterates BAWSCA's support for the VA pathway.

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Board of Directors Policy Calendar Through September 2025

Meeting Date	Purpose	Issue or Topic
March 2025	D&A R&D R&D R&D R R	Results of Bi-Annual Staff-Level Salary Total Compensation Study Presentation of Preliminary FY 2025-26 Work Plan and Budget BAWSCA's Strategy 2050 & Water Management Charge Update Review of Regular Consultant Rates Review of Water Supply Forecast Water Management Charge Update
May 2025	D&A R&A R&D R	Consideration of Proposed FY 2025-26 Work Plan and Budget BAWSCA's Publicly Available Pay Schedules BAWSCA's Strategy 2050 & Water Management Charge Update Review of Water Supply Forecast
July 2025	D&A R R&D	Review of CEO/General Manager Evaluation Procedure BAWSCA's Strategy 2050 & Water Management Charge Update SFPUC Alternative Water Supply Program Update
September 2025	D&A R&A R&D R&D	CEO/General Manager Performance Evaluation BAWSCA's Publicly Available Pay Schedules Tier 2 Drought Allocation Plan Negotiations Strategy 2050

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Fiscal Year 2025-26 Work Plan and Budget Planning Session**

Summary:

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2065. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2025-26. A preliminary list of challenges as updated for the FY 2025-26 budget process appears in Table 1.

As has been done in the past several years, the work plan and budget preparation will be initiated with a planning session with the Board, providing an early opportunity for input on near-, mid- and long-term issues for consideration as part of the work plan development.

Recommendation:

This item is for Board discussion only. Board feedback and input on the near-, mid- and long-term issues for consideration as part of the work plan development are requested at this time.

Discussion:

The FY 2025-26 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2025-26 Work Plan.

The preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide a reliable and high-quality water supply at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of its member agencies and their customers. In each case, the challenges relate directly to BAWSCA's goal of ensuring a reliable supply of high-quality water at a fair price for the water customers.

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2025-26 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review, and presented to the Board for recommended adoption in May.

Attachment:

- Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary FY 2025-26)

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Table 1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2025-26)

BAWSCA Goal and Associated Challenges	FY 2025-26 (Near-Term)	2025-2040 (Mid-Term)	2040-2065 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability			
Protection of member agencies' interests in long-term water supply reliability from the SF RWS and 184 MGD Supply Assurance in light of potential areas of risk, including climate change and regulatory challenges, as presented in the Long Term Vulnerability Analysis.	X	X	X
Protection of member agencies' interests in SFPUC development and implementation of its Alternative Water Supply Program including oversight of scope, schedule, and budget.	X	X	X
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts, including completion of Updated Demand Projections.	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
Support member agencies in their efforts to ensure system reliability during an emergency.	X	X	X
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
Assist member agencies in complying with the State's expanding regulatory requirements related to water use efficiency and reliability.	X	X	X
Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
Ratification and implementation of the new Tier 2 Drought Allocation Plan.	X		
Reliable Supply: Ensure Regional Water System Facility Reliability			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
Promote emergency resiliency of the SF RWS to protect interests of water customers.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation, including through continuing state oversight (exp. 1/1/2036).	X	X	
Due to the SFPUC's potential competing demands for capital and possible future limitations on financing, work to extend the RFA's authority to issue revenue bonds (exp. 1/2030) and explore uses of the RFA to finance projects key to regional water system reliability.		X	X
High Quality Supply & Fair Price: Enforce Water Supply Agreement (WSA)			
Enforcement and amendment as necessary, of the WSA to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.	X	X	X
Extension or renegotiation of the WSA before it expires in 2034. The WSA can be extended 2 times, for a period of 5 years each. By December 2031, SFPUC must notify Wholesale Customers of desire to extend contract.		X	X
Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Management of Agency			
BAWSCA CalPERS pension & OPEB liability management	X	X	X
Ensure Agency's near-term and long-term resiliency	X	X	X

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

Meeting Schedule through January 2026

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
<u>Date</u>	<u>Location</u>
Thursday – March 20, 2025	Burlingame Community Center – Sequoia Room
Thursday – May 15, 2025	Burlingame Community Center – Sequoia Room
Thursday – July 17, 2025	Burlingame Community Center – Sequoia Room
Thursday – September 18, 2025	Burlingame Community Center – Sequoia Room
Thursday – November 20, 2025	Burlingame Community Center – Sequoia Room
Thursday, - January 15, 2026	Burlingame Community Center – Sequoia Room

Schedule for RFA Board Meetings (Meeting time will be announced)	
<u>Date</u>	<u>Location</u>
Thursday – January 15, 2026	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, 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
Wednesday, August 13, 2025	Burlingame Community Center – Sequoia Room B
Wednesday, October 8, 2025	Burlingame Community Center – Sequoia Room B
Wednesday, December 10, 2025	Burlingame Community Center – Sequoia Room B