Bay Area Water Supply & Conservation Agency

BOARD OF DIRECTORS MEETING

Thursday, November 19, 2026
Burlingame Community Center – Sequoia Room
850 Burlingame Ave., Burlingame

6:30 P.M.

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AGENDA

Agenda Item	Presenter	Page
1. Call to Order/Roll Call/Salute to Flag	**(Vella)**	
2. Comments by the Chair	**(Vella)**	
3. Public Comments *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 two (2) minutes.*	**(Vella)**	
4. Board Policy Committee Report *(Attachment)*	**(Ragsdale)**	*Pg 3*
5. SFPUC Report	**(Ritchie)**	
6. Consent Calendar	**(Vella)**	
A. Approve Minutes of the September 17, 2026 Meeting *(Attachment)*		*Pg 19*
B. Receive and File Budget Status Report – As of Sept. 30, 2026 *(Attachment)*		*Pg 25*
C. Receive and File Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2025-26 *(Under Separate Cover)*		*Pg 27*
D. Receive and File Directors' Reimbursement Report – As of Sept. 30, 2026 *(Attachment)*		*Pg 29*
E. Receive and File Employees' Reimbursement Report – As of Sept. 30, 2026 (*Attachment*)		*Pg 31*
F. Receive and File Investment Report – As of Oct. 31, 2026 *(Attachment)*		*Pg 33*
G. Annual Review and Consideration of BAWSCA's Statement of Investment Policy *(Attachment)* *The Board Policy Committee voted unanimously to recommend approval of the proposed Board action.*		*Pg 35*
7. Action Calendar:		
A. Resolution Approving the Temporary Re-Appointment of Nicole Sandkulla as Special Counsel to the CEO/General Manager *The Board Policy Committee voted unanimously to recommend approval of the proposed Board action.*	**(Smegal)**	*Pg 47*
8. Reports and Discussions:		
A. BAWSCA's Long-Term Reliable Water Supply Strategy 2050 - Draft Implementation Plan *(Attachment)*	**(Ashoori)**	*Pg 55*

9. CEO Reports **(Smegal)**

A. Bay Delta Plan/FERC Process
B. Letter to SFPUC on Design Drought *(Attachment)* *Pg 61*
C. BAWSCA Pension Plan Funded Status Update *(Attachment)* **(Tang)** *Pg 63*
D. BAWSCA OPEB Plan Funded Status Update *(Attachment)* **(Tang)** *Pg 67*
E. CEO's Letter *(Attachment)* *Pg 71*
F. Board of Directors Policy Calendar *(Attachment)* *Pg 75*
G. Correspondence Packet *(Under Separate Cover)*

10. 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).

11. Report After Closed Session **(Schutte)**

12. Additional Time for Public Comments (As Time Permits) **(Vella)**

Members of the public may address the Board on any issues that are within the purview of the Agency. Each speaker is allowed a maximum of two (2) minutes.

13. Directors' Discussion: Comments, Questions and Agenda Requests **(Vella)**

14. Date, Time and Location of Future Meetings **(Vella)** *Pg 77*
(See attached schedule of meetings)

15. Adjourn to next meeting scheduled for January 21, 2027 at 6:30pm **(Vella)**

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Bay Area Water Supply & Conservation Agency

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MEMORANDUM

TO: BAWSCA Board Members

FROM: Tom Smegal, Chief Executive Officer/General Manager

DATE: November 13, 2026

SUBJECT: Summary of Board Policy Committee meeting held October 14, 2026

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1. **Call to Order:** Committee Chair Ragsdale called the meeting to order at 1:31pm.

   Seven (7) members of the Committee were present at roll call. One (1) member arrived after roll call. 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 Ragsdale welcomed committee members, staff and attendees. She noted that SFPUC Commissioner Kate Stacy is among the attendees for Item #6A. All members of the Committee are in person which removes the need for roll call votes on action items.

   Closed Session was removed from the agenda.

3. **Consent Calendar:**

   Director Hardy made a motion, seconded by Director Vella, that the Committee approve the Minutes of the June 10, 2026 Board Policy Committee meeting.

   The motion passed unanimously.

4. **Public Comments on Items not on the Agenda:**

   Dave Warner provided public comments on the costs of SFPUC's Millbrae Operations Center Project.

5. **Action Calendar:**

   A. Resolution Approving the Temporary Re-Appointment of Nicole Sandkulla as Special Counsel to the CEO/GM:

   CEO/General Manager Smegal reported that the Committee is being asked to recommend Board approval of Nicole Sandkulla's temporary re-appointment as Special Counsel to the CEO/General Manager. The Board appointed her in this role in 2024 and has been serving for a period of twenty-four months. CEO Smegal finds her advice extremely valuable given

her tremendous amount of institutional knowledge about the agency and insights into policies. Because she is a CalPERS retiree, there are specified conditions that the Board must find:

- Specialized skills and experience critical to the executive advice and counsel she provides the CEO/GM
- No more than 960 hours per fiscal year
- Hourly rate is consistent with the adopted salary range for the most closely related position
- Receives no other benefit, incentive, or compensation in-lieu of, in addition to her hourly rate.

Ms. Sandkulla's hours of service have averaged less than 60 hours per fiscal year and have been used on an "as-needed" basis. The proposed Resolution #2026-02 reflects the required findings and conditions.

Director Vella noted that former CEO/GM Art Jensen served as Special Counsel to Nicole Sandkulla when she transitioned into her position as BAWSCA's CEO/General Manager. When Mr. Jensen was CEO/GM, he also had the services of an advisor. He is pleased that the agency has the security of accessing Ms. Sandkulla's services on an as-needed basis because her institutional knowledge is important to address critical matters. Her appointment is advisory and he expects that the number of hours for which her advice is sought, while minimal at present, will continue to lessen moving forward.

Director Duncan asked if 960 hours per fiscal year is the set number or can the number be adjusted according to the agency's need for her services.

CEO Smegal explained that 960 hours per fiscal year is the limit in accordance with CalPERS, and clarified that Nicole's services have averaged at 51.50 hours per fiscal year over the 2-year period during which she has provided assistance.

In her capacity as Special Counsel, Ms. Sandkulla provides valuable advice on historical matters. Over the course of her 2-year appointment, there have been matters in which she provided counsel based on her institutional knowledge and experience with the topic. There were also periods within those 2 years where her services were not needed.

Director Chambers expressed his support for the recommendation to re-appoint Nicole as Special Counsel and pointed out that former CEO/GM Art Jensen served as Special Counsel to Nicole in addition to having Bud Wendell as Strategic Counsel. Nicole's services also provide the counsel that BAWSCA used to receive from Strategic Counsel, Bud Wendell, recalling that he engaged with Mr. Wendell on various BAWSCA matters for more than a decade. CEO Smegal should have access to her counsel on an as-needed basis.

Director Pierce stated that new members of the Board may benefit from historical background on who and how institutional knowledge has been passed on to new leadership through executive and strategic counsel. Nicole has expertise that can support CEO Smegal's leadership.

There were no further comments from members of the Committee.

Public comments were provided by Dave Warner on the open communication BAWSCA has under CEO Smegal's leadership.

Director Hardy made a motion, seconded by Director Andrews, that the Committee recommend the Board adopt Resolution #2026-02 approving the temporary re-appointment of Nicole Sandkulla to the position of Special Counsel to the CEO/GM and make associated findings in support of such an appointment.

The motion passed unanimously.

B. Annual Review and Consideration of BAWSCA's Statement of Investment Policy:

BAWSCA Finance Manager, Christina Tang, reported that BAWSCA's Investment Policy requires an annual review of its Statement of Investment Policy (Policy). The Policy's primary objectives are, in the following order: Safety, Liquidity, and Yield.

The last review occurred in November 2025 in which no changes were recommended. Ms. Tang noted that most agencies have their Investment Policy govern their agency funds, but not their bond funds. For BAWSCA, the Policy applies to both agency funds and bond funds. Based on BAWSCA's recent review, the current permitted investments reflect the agency's risk tolerance and the primary investment objectives.

While both Local Agency Investment Funds (LAIF) and Certificates of Deposit (CDs) are permitted investments for the agency's general funds, only LAIF is currently being used. For the bond funds, the permitted investments are US Treasury Securities, US Agency Securities, Money Market Fund and CD's. Legal counsel has confirmed that the current investment policy reflects language consistent with state law.

There are no recommended changes to the policy itself, but there are two minor clerical clean up edits proposed. Those two edits were highlighted in the presentation.

Ms. Tang explained the investment strategy for the bond stabilization fund, which is a reserve used to cover debt service payments in case of shortfalls in the surcharge collection. The investment strategy is not part of the Policy but its review is included in the annual process.

The persistent inflation has led the Federal Reserve to raise rates by 25 basis points in September of 2026, and is expected to maintain higher rates for a longer period. Within this evolving interest rate environment, BAWSCA's long-term portfolio strategy is performing well. It continues to provide important diversification across the yield curve and helps mitigate the risks associated with changes in interest rates.

As of October 1st, the total bond funds held by the Trustee, Bank of New York, was $19.3 million. The total includes 1) $6.6 million in bond surcharges invested in the Money Market Fund which are funds collected from the member agencies to pay the next semi-annual debt service payment; and 2) $12.7 million stabilization funds invested in U.S Treasury Securities.

The assets in the Stabilization Fund are programmed to have approximately 10% invested in six-month intervals to coincide with the debt service payment schedule in the next five years. As rates rise, the maturing proceeds would be reinvested programmatically into the ladder with the higher interest rate. When rates fall, BAWSCA will reinvest in the declining rate environment, but the remaining portfolio that was previously purchased has higher locked in rates available. The current strategy is believed to provide a balanced approach to manage both the market price risk and the reinvestment risk for the agency, and consistent with the agency's risk tolerance, liquidity requirements, and primary investment objectives.

BAWSCA staff and its investment advisors believe that the current 0-5 year laddered maturity strategy remains appropriate, and no changes to the Policy are proposed. The Board Policy is asked to recommend Board re-affirmation of the current Statement of Investment Policy.

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

There were no comments from members of the public.

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

The motion passed unanimously.

6. Reports and Discussions:

A. Discussion of Desirable Skills and Background for the Next SFPUC General Manager:

CEO Smegal reported that the San Francisco Public Utilities Commission is soliciting BAWSCA's feedback on its search for a new General Manager. Current General Manager Dennis Herrera has served for five years and is retiring in December 2026.

BAWSCA seeks a constructive working relationship with the General Manager to uphold the Water Supply Agreement, the member agencies' individual contracts with the SFPUC, and all fundamental elements necessary to ensure a reliable supply of high-quality water at a fair price for the water customers of the BAWSCA region and San Francisco.

The General Manager is also a member of the San Francisco Bay Area Regional Financing Authority (RFA) that meets in January.

The application process will close on October 16th, and therefore this matter is being brought to the BPC for its input on behalf of the Board. Commissioner Stacy is present to listen to the Committee's feedback.

Commissioner Stacy provided comments stating that it is important for the SFPUC to get as much input from the public, especially from the wholesale customers and BAWSCA. The SFPUC issued an internal and external survey to identify the attributes and the significant opportunities/challenges facing SFPUC that should be a priority of the next General Manager. Ms. Stacy noted that in her role on a committee assigned to help guide the recruitment process, she values directly hearing input from members of the BAWSCA Board as it will inform how SFPUC formulates its evaluation of, and the questions for, the candidates. SFPUC is working with CPS HR consulting in sifting through the applicants.

Before taking comments from members of the Committee, Chair Ragsdale opened the floor for public comments. There were none.

Comments were provided from BAWSCA's perspectives.

Committee members felt the survey successfully captured the next General Manager's required attributes and priorities. The Committee's consensus highlighted the attribute of being able to establish a "partnership" relationship between BAWSCA and the SFPUC despite its legal relationship to serve the region's water customers, and the priority of engaging with BAWSCA and balancing affordability with a reliable infrastructure.

Director Chambers believes that two important areas for the General Manager's priorities are financial sustainability and advancing infrastructure and system resilience.

Director Hardy noted that communication and dialogue with BAWSCA and the 26 member agencies can be improved.

Director Andrews highlighted the ability to work with different population groups and communities and understanding the rate issues particularly for parts of the region with low-income communities. Additionally, the ability to effectively manage communication and collaboratively address individual concerns of wholesale customers, as well as of BAWSCA member agencies as a region. Lastly, she hopes for someone who will look at potential ways SFPUC can provide access to funds for community projects within the region.

Director Duncan stated that balancing affordability with maintaining a robust infrastructure is a priority. The current wholesale water cost of $2,700 per acre foot is one of the highest wholesale rates in California and deserves attention as much as maintaining a reliable infrastructure.

Director Hamilton noted the importance of establishing a partnership relationship and achieving a level of comfort and confidence to share information and constructively engage with BAWSCA for the best interest of both sides. The General Manager does not have to agree with BAWSCA but should treat BAWSCA and its wholesale customers' interests as consequential and engage early when challenges come up.

Director Vella hopes for a General Manager as opposed to a politician. The Wholesale Customers are SFPUC's largest customers and ought to be treated as a partner with transparency as opposed to a client-based relationship. The SFPUC should engage BAWSCA in the rate setting as variations between the estimates and the final can be detrimental for all the agencies in managing their distribution systems.

Director Pierce explained that the relationship between BAWSCA and SFPUC is a legal relationship that is based on documents and agreements that are legally enforced through numerous negotiations and interpretations. The depth of knowledge is not always thorough, either at the higher management level or at the staff level, but an effort to strengthen that knowledge is critical to ensure that everything is implemented according to those agreements. The General Manager should be aware of this and should work towards gaining a full understanding of the relationship SFPUC has with BAWSCA and how it is governed, by engaging with BAWSCA staff and legal to ensure that the documents are enforced, supported and conveyed to everyone at all levels on both sides because sometimes, the interpretations are different. The legislation, AB 2058 – Papan, created BAWSCA to ensure that the water customers who pay the majority of the cost and use the majority of the water get some input. It is critical that the next General Manager of the SFPUC is aware of that. There should be focus on regional balance, equity and understanding, and accountability. BAWSCA and the wholesale customers should be viewed as a partner instead of with dominance because of the interdependent relationship; the wholesale customers need the water supply as much as the SFPUC need the revenue to operate the system. BAWSCA staff and Board is always prepared to collaboratively work with the SFPUC.

Chair Ragsdale expressed her interest in having the SFPUC General Manager address the Board once a year to support the effort of establishing a strong relationship. She reiterated the significance of having wholesale rate estimates that correlate with the final rates that are

provided to member agencies for their budgeting process, supported the idea of leading without resistance, and encouraged putting trust in BAWSCA's historical knowledge by engaging with BAWSCA's longtime staff and Board members.

B. BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy 2050):

Senior Water Resources Engineer, Dr. Negin Ashoori, presented an update on Strategy 2050 as it approaches completion in the next six months. The goal of the presentation was to share the framework of the draft implementation plan and how it was developed to inform Strategy 2050 decisions, present potential implementation levels ranging from BAWSCA's current role to an expanded leadership role and seek the Committee's input on the overall direction of the plan. The draft implementation plan does not yet include the supply reliability projects and actions (P&As) that will result from Strategy 2050, as those are being developed through the portfolio evaluation, which is still underway.

The Committee was asked to provide feedback on:

1. What level of involvement is appropriate for BAWSCA in implementing Strategy 2050?
2. What regional priorities, organizational-capacity, and resource and funding considerations should guide selection of an implementation level?
3. Are there priority areas the BPC would like to see emphasized in the Implementation Plan?
4. What revisions should staff make before the item advances for broader Board discussion?

Dr. Ashoori noted that the recommended actions in the draft implementation plan were presented to the Water Management Representatives (WMR) in early October along with a survey to gather their feedback.

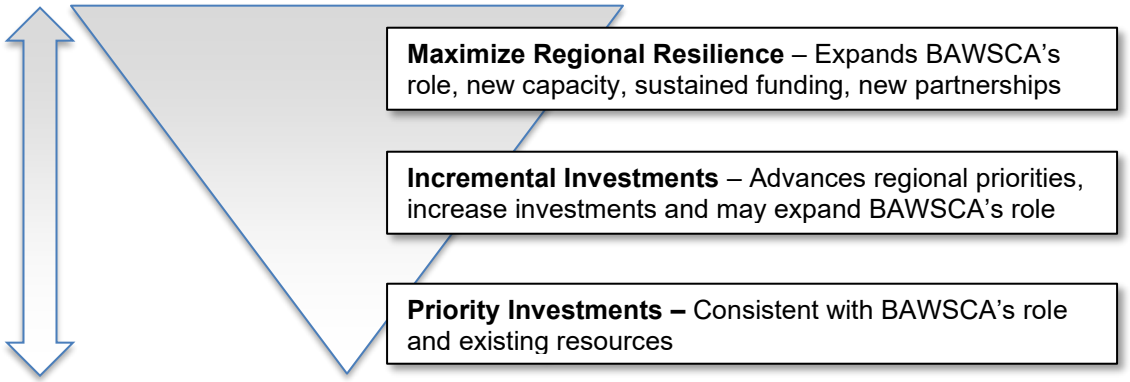
As a reminder, the purpose of Strategy 2050 is to identify the water supply management needs and opportunities for the BAWSCA region and establish a framework to collectively support water reliability and resilience. To meet the purpose, six objectives were identified that align with BAWSCA's goal of ensuring a reliable supply of high-quality water at a fair price. The implementation plan defines the actions to meet the objectives.

Since the beginning of the effort in 2024, risks to the region's supply have been assessed to identify what the local and regional projects and actions (P&A) should be considered. This effort collected input from the Board, WMRs and stakeholders. The implementation plan translates the findings and recommendations for each objective into an organized program that considers relative priorities, roles and resources needed. What do we do first, who does it, and what will it take to do them?

The draft implementation plan was developed by compiling recommended actions from each Strategy 2050 tasks and then grouping them by relative priority and level of effort. Three cumulative levels of efforts were identified from BAWSCA's current role to an expanded leadership role. The draft plan will be finalized following review and discussion with the WMRs and the Board.

The core of the implementation plan is in the three cumulative levels of effort. Each level builds on the one before it, varying mainly on BAWSCA's role and required resources.

Figure 1: Implementation Plan "Levels of Effort"



a. *Priority Investments* – defines the highest priority actions consistent with BAWSCA's current role and existing staff time and resources.
b. *Incremental Investments* - advances regional priorities with some increases in investments and resources and the potential for expanding BAWSCA's role. In addition to Priority Investments.
c. *Maximize Regional Resilience* - shifts BAWSCA into an expanded regional leadership role and would require substantial new capacity, sustained funding and new partnerships. Cumulative of prior levels, with additional actions.

Recommended actions are organized into 6 categories and placed in their corresponding level of efforts. Dr. Ashoori took comments from Committee members as she presented each category, specifically on where they see BAWSCA should land in the level of effort (Priority, Incremental, or Maximize) and whether what is presented should differ by category. She noted that the portfolio evaluation is still underway, and that the full set of projects and actions resulting from Strategy 2050 and the portfolio evaluation will be presented to the BPC at its December meeting. This will include the region's potential future water supply outlook and the local and regional projects that could make the region's water supply more resilient, along with associated funding approaches.

1. **Strategy Implementation and Adaptive Management**: An ongoing effort for years to come.

Priority Investments	Incremental Investments	Maximize Regional Resilience
• Track each recommended P&As including who is responsible, what are the target dates • Report on progress and emerging issues twice a year.	• Plan grant applications and advocacy around priority P&As • Provide technical support to member agencies developing local P&As.	

Director Hamilton suggested the consideration of providing reports, particularly on emerging issues, as they come up. This may potentially lead to reporting more than twice a year on an as needed basis. As for the tracking, an online system that is regularly updated and

made accessible for member agencies to log into for information can be helpful and efficient.

Director Hardy asked the difference between BAWSCA's grant tracking tool and the efforts behind "planning grant applications…" under Incremental Investment.

Director Ragsdale commented on the importance of agencies to apply for grants. For example, if there are possibilities for certain agencies to come together to apply for a grant, BAWSCA can have a role in making this happen.

Dr. Ashoori explained that this effort involves applying for grants to fund new P&As identified for BAWSCA to pursue. It is different from BAWSCA's Grant Tracking Tool developed for member agencies' use and the subscription program being developed to assist member agencies with grant applications.

Director Chambers expressed his support for sorting the recommended actions between the three levels of efforts.

2. **Near-Term Priority Actions**:

Priority Investments	Incremental Investments	Maximize Regional Resilience
• Develop Conservation Strategic Plan by looking at current conservation program and making changes when necessary • Advancing low-cost, broadly beneficial actions including commercial water audits and retrofit rebates, developing commercial, industrial, and institutional (CII) subscription programs that aligns with regulatory measures, and providing public education, technical workgroups, and coordination with other regional agencies		

Director Hardy noted that conservation is not just minimizing water use but also preventing waste. She suggested looking into educating residential and commercial water users on how to recognize issues in their system with different strategies of identifying problems using historical water consumption data. This can help make discussions on conservation more quantified than hypothetical.

3. **Regulatory Support**: Ties in with Objective #3; elevating awareness of and support for the region's interests in new and emerging regulations that impact water supply and demand management.

Priority Investments	Incremental Investments	Maximize Regional Resilience
• Build relationships with policy makers and regulators • Help member agencies meet new state water use efficiency requirements particularly for commercial, industrial, and institutional (CII) customers • Support water quality efforts	• Expand tracking of and advocacy on state legislation and regulations • Support programs for reusing water onsite, and public education on purified recycled water • Address emerging issues such as data centers	• Offer a regional program to help implement and inspect on-site water reuse systems • Run a broad public outreach campaign on purified recycled water and supporting programs for other regulations including lead and copper rule revisions

Director Andrews asked how and will BAWSCA be a part of the conversation on the issue of PFA's and previous legislative efforts on source control. Perhaps BAWSCA can have this effort under both Incremental Investments as well as Maximizing Regional Resilience through partnerships with agencies in the waste-water industry since member agencies will have to respond to regulations on infrastructure upgrades to address PFA's.

Dr. Ashoori stated that the SFPUC's and BAWSCA's Joint Water Quality Committee have ongoing discussions on PFAS and can expand the conversations.

CEO Smegal noted that if BAWSCA gets into recycling in a major way, to the extent of BAWSCA member agencies' current water recycling efforts, PFAS will become an issue even though the Regional Water System itself does not detect a significant level of PFAS.

In response to Director Hamilton, Dr. Ashoori clarified that the efforts on legislation and regulations under Incremental Investments refer to ones that are in the pipeline that BAWSCA should be advocating and supporting in Sacramento.

CEO Smegal explained that an example of such effort includes the Leak Detection regulation that the WMRs identified as one that would present a huge data burden to the water districts, cities and CalWater. Each agency took their necessary actions to advocate for themselves, but with an increased level of resources, this could have been something BAWSCA facilitated for the agencies.

Director Hardy noted that it would be hard for BAWSCA to do much more than tracking new, as well as changes to various regulations and legislations, and making the agencies aware because of the different entities and jurisdictions involved. We need to recognize that the purified recycled water is a very different type of communication and BAWSCA getting heavily involved in that is outside its jurisdiction.

Director Pierce agreed that purified water programs, such as one underway in Redwood City; that is a long way from reaching drinking water standards, require a lot of education. But it is worth keeping it on BAWSCA's Incremental Investments and adjusting as needed to prepare for when there is a real push for additional resources. She noted that given many of the member agencies are small, the Board tries to keep BAWSCA's efforts tight and focused to avoid doing more than needed.

In terms of educating the public, Director Ragsdale suggested the use of existing information perhaps through the website to have a head start in the learning process.

Director Chambers noted that an existing key role BAWSCA does is to help member agencies meet new State requirements such as water use efficiency requirements, meeting the requirements for completing Urban Water Management Plans (UWMP) and of Making Water Conservation a California Way of Life. Those tasks need to stay in Priority Investments.

4. **Funding and Financing**: Ties in with Objective #5, closing the gap on funding needed for water supply resilience and reliability.

Priority Investments	Incremental Investments	Maximize Regional Resilience
• Help member agencies pursue grants and loans through the Grant Tracking Tool • Continue existing regional financing efforts	• Advocate regionally for funding for priority P&As	• Establish a regional funding program independently or with SFPUC • Use BAWSCA's Bay Area Regional Financing Authority (RFA) to fund regional P&As • Serve as a sponsor for P&As

Dr. Ashoori clarified that funding approaches tied specifically to supply reliability projects will be presented once the portfolio evaluation is complete.

Director Andrews suggested looking at how other agencies fund projects and at different financing strategies, such as public-private partnership (P)3 agreements for large capital improvement projects Director Andrews also suggested exploring potential partnerships with major corporations that have a stake in reliable infrastructure and could support capital improvement projects and lessen the impact on residential rate payers.

Director Hardy cautioned against establishing a funding program at a regional level as it can be risky for BAWSCA given its size and budget.

5. **Affordability**: Ties in with Objective #6; support availability of affordable water supplies and demand management strategies to all customers.

Priority Investments	Incremental Investments	Maximize Regional Resilience
• Periodically update the assessment of water affordability across the region • Provide guidance so member agencies can apply the assessment using their own data.	• Help member agencies design customer assistance programs • Facilitate regional discussion of what affordable water bills look like given local cost of living	• Coordinate a water bill assistance program with a non-profit partner as one way to fund the water bill assistance program • Develop a template partnership agreement that BAWSCA agencies can use with the non-profits

Director Andrews suggested finding an agency that is solely focused on coordinating water bill assistance programs rather than BAWSCA doing the task and looking into ratepayer protection programs for infrastructure upgrades as part of the effort on evaluating water bill assistance programs.

Director Hardy commented on the effort to help member agencies design a customer assistance program and noted that some agencies have combined a utility bill that bundles water, sewer and electricity as opposed to a bill just for water. Designing a customer assistance program specifically for a water bill could therefore be challenging.

CEO Smegal noted that in BAWSCA's current conservation programs there are two types; a subscription program that is funded by participating agencies and a core program which is funded by the operating budget because it provides benefit to the region. It is possible that in looking at the efforts that fall between Incremental Investments and Maximize Regional Resilience, the effort for designing a customer assistance program may follow a subscription model where BAWSCA does the work for agencies that fit the service.

Director Andrews noted to keep in mind opportunity costs in the subscription programs and not lose sight of other projects more worthy of the time and effort.

6. **Emergency Resilience**:

Priority Investments	Incremental Investments	Maximize Regional Resilience
• Support updates to SFPUC's regional emergency contact list • Build a shared library of emergency templates and documents • Strengthen coordination with county emergency services	• Hold regular work sessions on emergency preparedness and cybersecurity • Plan and practice using emergency water interties between agencies • Develop multilingual emergency communications for customers • Maintain a shared inventory of emergency equipment • Establish tracking system of member agency trainings and exercises	• Develop procedures for water quality testing and recovery after an emergency • Hold annual emergency exercise focused on wholesale customer scenarios • Pursue grant funding for regional emergency resilience programs

Director Hamilton suggested looking into the value of developing an emergency resilience scorecard system that agencies can use to help them assess their readiness and direct their focus for improvements.

Along the lines of Director Hamilton's comments, Director Duncan was interested in having a target for what is considered as resiliency in aging infrastructure. For example, having a 1% main replacement rate is difficult to get to, but is it good enough? Having a

coordinated effort in knowing where everyone in the region stands is helpful in building a regional resiliency.

Director Hardy agreed that the member agencies are interdependent and liked the idea of a scorecard. But she believes that it should be the County emergency departments that should make this effort. Testing the use of emergency water interties between member agencies is appropriate under Incremental Investments. She encouraged BAWSCA's focus to stay on water supply, avoid expanding focus on all emergencies, and continue working with the County emergency departments.

Director Pierce referenced Director Breault's comments at the July Board meeting about his efforts with the San Mateo County office of emergency in creating the San Mateo County Public Works Mutual Aid Association that developed a resource list in an event of emergency situations. She encouraged reaching out to him and agreed with communicating with County office of emergency services.

Dr. Ashoori concluded with the next steps, which is refining the draft implementation plan and levels based on the feedback received from the WMRs and BPC for presentation to the Board in November. Recommendations for water supply reliability projects and actions and associated funding approaches will be presented at the December BPC meeting.

Dave Warner provided public comments on BAWSCA's involvement in SFPUC's wholesale rate setting process.

C. BAWSCA's Request to the SFPUC to Review its Design Drought:

CEO Smegal seeks the Committee's input on his proposal to make a formal request to the SFPUC for a review of their Design Drought. His formal request to the SFPUC is in response to Director comments made at previous BAWSCA Board meetings.

The design drought was established by the SFPUC in 1992 following the 1987-1992 drought. It combines two historically significant drought periods; 1987 – 1992 and 1976 – 1977, creating an 8.5 year drought planning period that tests the reliability of the Regional Water System (RWS) supplies during a drought worse than any yet experienced.

BAWSCA's position on the Design Drought, most recently stated in August of 2022, was that; *"…A change to the Design Drought does not appear warranted. However, BAWSCA will not oppose a review of the Design Drought if the process includes a robust, independent, documented analysis by experts in the field and if BAWSCA is actively engaged in the process".*

As reported to the Board at its July meeting by Steve Ritchie, SFPUC Asst. General Manager for Water Enterprise, SFPUC's drought management is driven by three factors:

1. Water Resources – the Tuolumne represents 85% of the RWS supply and other large water sources are not available.

   There are no connections to the Delta or State Water Project.

2. Water Rights – MID and TID hold senior water rights on the Tuolumne, meaning in some years San Francisco cannot expect any water.

3. System Management and Operational Experience – The SFPUC manages the RWS' daily, monthly, and yearly operations. The SFPUC made the careful cautious decision to plan for two additional drought years beyond 1992.

BAWSCA has looked into the scope and schedule as may be required of the SFPUC to review the Design Drought to gauge the possible time and cost involved. While BAWSCA prepared no formal cost and schedule calculations, it is estimated that the cost is approximated between $1-$3 million with a timeline of 1 – 3 years.

While SFPUC is a large agency, the staff dedicated for water modeling is small and are dedicated to other duties. That staff would need to be heavily engaged in the work. Hence the effort would have a significant impact on SFPUC's internal resources and would require shifts in existing work priorities that could be impactful overall. Additionally, depending on the State Water Resources Control Board's (SWRCB) decision on a possible amendment to the Adopted Bay Delta Plan, Phase 1, it is prudent to wait for the SWRCB's decision before SFPUC invests substantial time and effort in starting an analysis of this scope.

Compelling reasons to request for SFPUC to review the Design Drought include new conditions and information that have emerged since 1992;

- Climate Change
- Population growth combined with changes in water demand patterns
- New environmental requirements associated with the Bay Delta Plan, Phase 1

Requesting a review of the Design Drought also responds to Board members' interest in being proactive in requesting that a review be conducted, as opposed to waiting on the SFPUC to take action.

CEO Smegal emphasized that BAWSCA will ask for an objective process which could go either way based upon the science. Possible outcomes could conclude that a more severe or less severe drought sequence should be used for planning purposes.

Advocates for the review assume that the analysis will produce a shorter design drought sequence, but it is possible that due to climate change and other factors, the historical 8.5 year sequence may not be a severe enough representation of what a drought could be.

Additionally, it has been reported to the Board that there are no significant planned investments in alternative water supplies in the CIP until 2034; therefore, it would be a long time before a change to the Design Drought that in turn requires additional investment in new water supplies would impact any water rates or capital investments that the system makes. On the other hand, one could find an analysis favorable to inform future investments.

CEO Smegal will write the letter to SFPUC before the November Board meeting and provide a report to the Board. He anticipates this effort to fit within the current FY 2025-26 work plan and budget. If the SFPUC decides to conduct an analysis, the item will be added into future fiscal year(s) workplans and budgets accordingly to support BAWSCA's essential engagement with the process.

He noted that BAWSCA has no official oversight role over the SFPUC on this area. The action of a letter is a suggestion that the SFPUC may consider but is under no obligation.

Clarifying questions were taken from Committee members prior to taking public comments and feedback from the Committee.

Director Hardy asked if the analysis should be done now to inform future investments or should it be deferred until more information is known on the Bay Delta Plan and SFPUC's CIP?

CEO Smegal clarified that conducting the analysis within the next 8 years aligns well with future CIP investment planning.

In response to Director Pierce's question about the Design Drought's interrelationship with Urban Water Management Plans (UWMPs), CEO Smegal explained that UWMPs confirm water supply availability to meet projected demands. The reports are due every 5 years and the next cycle is due in 2031. The State's decision on Bay Delta Plan amendments and results of the Design Drought analysis can have an impact on UWMPs.

Director Vella expressed his support for the letter to make the request to San Francisco in response to Board members' interests stated at previous Board meetings.

Director Hardy commented that given the pending decisions by the State on the Bay Delta Plan and the SFPUC's forthcoming Alternative Water Supply Investments expected by 2034, she would not expect the letter to have a tight deadline.

Director Hamilton agreed that sending a letter now does not necessarily mean SFPUC's immediate action, but it does make BAWSCA's intentions clear on addressing unanswered questions and establishing transparency with SFPUC. He believes a review of the Design Drought is a prudent investment given the data is from 1992.

Director Chambers expressed his concern with the cost estimate of $1-$3M. We need to know more about the outcome of the Bay Delta Plan so this effort should not be rushed. It is a major investment and should be substantiated as the best use of funds.

Director Pierce stated that it is important to have a realistic understanding of the work involved and the resources, schedule and cost required to identify the level of engagement BAWSCA needs to have and what resources BAWSCA needs to do that are important information for the Board's consideration. It would be useful to set the expectations of the Board because there may be some push back.

Director Andrews supports the request for SFPUC to review the Design Drought and believes that the estimated cost is representative of an effort of this size.

Director Ragsdale supported the request given the changes in the climate and conditions. The effort will take time as there will be public process involved in the analysis of water storage, storage capacity, usage and various other factors that need to be considered. She suggested sending the letter to the current General Manager as well as the incoming General Manager when that position is filled.

Public comments were provided by Dave Warner on the Design Drought.

7. CEO Reports:

A. Bay Delta Plan/FERC Relicensing Process Update:

CEO Smegal reported that the State Board is expected to decide on the Sacramento River and San Francisco Bay Delta Plan, Phase 2 following a public hearing process on October

28-29. The current draft has a Healthy Rivers and Landscapes (HRL) pathway which various parties have expressed concerns with. An Interim Draft is expected to be released in mid-October.

BAWSCA is closely monitoring developments of Phase 2 as it may affect Phase 1. Progress on Phase 1 is not expected until after the State Board reaches a resolution for Phase 2.

On the litigation, the State Board's combined respondent's brief was delayed until November 20th. BAWSCA's and all other parties' reply briefs are due in January 2027. Further information may be available by the December BPC meeting.

In response to Director Pierce's question on when the State Board may begin to hold meetings/workshops on Phase 1, CEO Smegal reported that the next step of the State Board is to release a peer review of their draft Scientific Basis Report Supplement, which currently has no anticipated date.

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

8. **Closed Session:** Closed session was removed from the agenda.

9. **Report from Closed Session**: N/A.

10. **Comments by Committee Members:** There were no comments from members of the Committee

11. **Adjournment**: The meeting was adjourned at 3:20pm. The next meeting is December 9, 2026.

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting
Attendance Roster

Agency	Director	Oct. 14, 2026	Aug. 12, 2026	Jun. 10, 2026	Apr. 8, 2026	Feb. 11, 2026	Dec. 10, 2025	Oct. 8, 2025	Aug. 13, 2025
Hillsborough	Ragsdale, Leslie (VC)	✓	Meeting Cancelled	✓	✓	✓	✓	✓	Meeting Cancelled
San Bruno	Hamilton, Tom	✓			✓	✓	n/a	n/a	
Hayward	Andrews, Angela	✓		✓	✓	✓	n/a	n/a	
Westborough	Chambers, Tom	✓		✓	✓	✓	✓	✓	
CalWater	Duncan, Darin	✓		☎		✓	✓	✓	
Santa Clara	Hardy, Karen (C)	✓		✓	✓	✓	✓	✓	
Redwood City	Pierce, Barbara	✓		✓		☎	✓	✓	
Burlingame	Stevenson, Peter			☎	☎		✓		
MPWD	Vella, Louis	✓		✓	✓	✓	✓	✓	

✓: present

☎ : Teleconference

October 14, 2026 Meeting Attendance (*In-Person Meeting)*

BAWSCA Staff:

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

Members of the Public:

Kate Stacy	SFPUC
Stephen Rainaldi	Millbrae
Dave Warner	Self

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING

September 17, 2026 – 6:30 p.m.

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 6:31 pm.

BAWSCA Chair, Louis Vella, called the meeting to order. The Assistant to the CEO/General Manager called the roll. Seventeen (17) members of the Board were present at roll call with two members participating by teleconference in accordance with the Brown Act Rule. Four members arrived after roll call. A list of Directors present (21) and absent (5) is attached.

2. Comments by the Chair:

Chair Vella noted that all actions will be taken by roll call vote in accordance with the Brown Act Rule.

One action item for the Board is acceptance of BAWSCA's and RFA's amended Conflict of Interest Code that was approved by the FPPC. Informational reports to the Board will be provided by the SFPUC and North Coast County Water District.

There are two closed sessions, in which the first is on the Board's annual evaluation of the CEO and the second is on the Bay Delta litigation and associated developments.

3. SFPUC Report:

SFPUC BAWSCA Liaison, Allison Kastama reported on the Regional Water System's current water supply conditions.

Assistant General Manager for Water Enterprise, Steve Ritchie presented a status report on SFPUC's Tuolumne River Early Implementation Restoration Projects in collaboration with Modesto Irrigation District (MID) and Turlock Irrigation District (TID).

Comments and questions were received from members of the Board.

Public comments were provided by Dave Warner, Peter Drekmeier, and Rush Rehm.

4. Water Management Representative Report:

North Coast County Water District General Manager, Adrianne Carr, reported on NCCWD's recent completion of its new district headquarters, tank replacement project and automated metering infrastructure installation.

Comments and questions were received from members of the Board.

There were no comments from members of the public.

5. Consent Calendar:

Comments on the Minutes of July 16th were provided by Director Schneider.

Director Pierce made a motion, seconded by Director Breault, that the Board approve the Consent Calendar which includes:

A. Approve the Minutes of the July 16, 2026 meeting;
B. Receive and file the Pre-Audit Budget Status Report as of June 30, 2026;
C. Receive and file the Investment Report as of June 30, 2026;
D. Receive and file the Directors' Reimbursement Report as of June 30, 2026;
E. Receive and file the Employees' Reimbursement Report as of June 30, 2026;
F. Receive and file the Bond Surcharge Collection, Account Balance and Payment Report for Fiscal Year ending June 30, 2026.

The motion passed by roll call vote with three (3) no votes on item #5A. See attached voting log.

6. Public Comments on Items not on the Agenda:

Public Comments were received from Peter Drekmeier, Dave Warner, Steve Merlone, and Rush Rehm.

7. Action Calendar:

BAWSCA and the San Francisco Bay Area Regional Water System Financing Authority's (RFA) has a combined Conflict of Interest Code (Code). California's Senate Bill 852 (SB 852), signed into law on October 3, 2025, makes several changes to the Political Reform Act, including requiring public investment officials to electronically file their Form 700s directly with the Fair Political Practices Commission (FPPC), effective January 1, 2026. The amendments to the Code ensure that it is consistent with current law. A Notice of Intent to amend the Code was issued on March 16, 2026 and emailed to the Board. The Notice triggered a 45-Day Notice, in which no comments were received.

Director Pierce made a motion, seconded by Director Breault, that the Board accept BAWSCA's and RFA's amended Conflict of Interest Code approved by the Fair Political Practices Commission (FPPC).

The motion passed unanimously by roll call vote.

8. CEO Reports:

CEO Smegal provided a schedule update on BAWSCA's Strategy 2050, spoke on BAWSCA's review of the SFPUC's Alternative for Millbrae Operations Center project, and on items included in the Correspondence Packet associated with the Bay Delta Plan.

Comments and questions were received from members of the Board.

Public comments were provided by City of Millbrae Mayor Steven Rainaldi and Steve Merlone.

9. Closed Session #1 – Public Employee Performance Evaluation:

The Board adjourned to Closed Session at 8:40pm.

Legal Counsel, Allison Schutte, reported that Closed Session concluded at 9:05pm

and no reportable Board action was taken.

10. Information Report Related to CEO Compensation

The Chair asked for a motion to extend the meeting.

Director Manalo made a motion, seconded by Director Chambers, that the Board extend the meeting until 9:30pm.

The motion passed by roll call vote, 20/1.

Legal Counsel reported that the Board found CEO Smegal's performance excellent in FY 2025-26. Pursuant to the CEO's employment agreement, the CEO's total compensation will be increased by 3% for a total of $361,950 beginning October 1, 2026 through September 30, 2027. Total compensation is comprised of a base salary, car allowance, and deferred compensation plan contribution.

There were no comments from members of the public.

11. Closed Session #2:

The Board adjourned to Closed Session #2 at 9:10pm.

The Board reconvened to Open Session at 9:19pm

Legal Counsel Allison Schute reported that Closed Session ended at 9:20 and no reportable Board action was taken.

12. Additional Time for Public Comments (Time Permitting): N/A

There was no time to receive additional comments from members of the public.

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

No additional comments were received from members of the Board.

14. Date, Time and Location of Next Meeting: The next meeting is scheduled on November 19, 2026 at the Burlingame Community Center.

15. Adjournment: The meeting adjourned at 9:21pm.

Respectfully submitted,

Thomas F. Smegal
CEO/General Manager

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

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Roll Call & Voting Log - BAWSCA

Meeting Date: **September 17, 2026**

Agency	Director	Present/ Absent	Item #5A - #5F Consent	Item #7A Accept Amended COI	Extend Meeting	Weighted Voting (2) Weighted "Yes" Votes	Weighted Voting (2) Weighted "No" Votes
Hayward	Andrews, Angela	y	y	y	y		
Brisbane	Breault, Randy	y	y	y	y		
Guadalupe	Breault, Randy	y	y	y	y		
Westborough	Chambers, Tom	y	y	y	y		
San Jose	Cohen, David	0	0	0	0		
CalWater	Duncan, Darin	y	y	y	y		
San Bruno	Hamilton, Tom	y	y	y	y		
Santa Clara	Hardy, Karen	0	0	0	0		
Purissima	Jordan, Steve	☎y	☎y	☎y	☎y		
Foster City	Kiesel, Art	0	0	0	0		
East Palo Alto	Lincoln, Webster	y	y	y	y		
Daly City	Manalo, Juslyn	y	y	y	y		
Sunnyvale	Mehlinger, Richard	y	y	y	n		
Coastside	Mickelsen, Chris	y	y	y	y		
Milpitas	Montano, Carmen	0	0	0	0		
Menlo Park	Nash, Betsy	y	n on 5A	y	y		
North Coast	Piccolotti, Tom	y	y	y	y		
Redwood City	Pierce, Barbara	y	y	y	y		
Hillsborough	Ragsdale, Leslie	y	y	y	y		
Millbrae	Schneider, Ann	y	n on 5A	y	y		
Mountain View	Showalter, Pat	0	0	0	0		
Burlingame	Stevenson, Peter	☎y	☎y	☎y	☎0		
Palo Alto	Stone, Greer	y	n on 5A	y	y		
Mid-Peninsula	Vella, Louis	y	y	y	y		
ACWD	Weed, John	y	y	y	y		
Stanford	Zigterman, Tom	y	y	y	y		

Vote Tally

					Weighted Vote Summary "Yes"	Weighted Vote Summary "No"
Yes (y)	21	18	21	19		
No (n)		3 on 5A		1		
Absent (0)	5	5	5	6		
Abstain (a)						
Item Carries by Simple Vote?						
Item Carries by Weighted Vote?						

(1) Under simple voting, item carries if it receives an affirmative vote of a majority of the total membership (15 votes)
(2) Under weighted voting, item carries if it receives the affirmative vote of directors representing both
a) A majority of the members present and voting, and
b) a majority of the number of votes represented by directors present

Bay Area Water Supply and Conservation Agency

Board of Directors Meeting
Attendance Roster

Director	Agency	Sept. 17, 2026	July 16, 2026	May 21, 2026	Mar. 19, 2026	Jan. 15, 2026	Nov. 20, 2025
Andrews, Angela	Hayward	✓	✓			✓	✓
Breault, Randy	Guadalupe	✓	✓	✓	☎	✓	✓
Breault, Randy	Brisbane	✓	✓	✓	☎	✓	✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Cohen, David	San Jose			✓	✓	✓	
Duncan, Darin	Cal Water	✓	✓	✓	✓	✓	✓
Hamilton, Tom	San Bruno	✓	✓	✓	✓	✓	✓
Hardy, Karen	Santa Clara		✓	✓	✓	✓	☎
Jordan, Steve	Purissima	☎	☎	☎	✓	☎	✓
Kiesel, Art	Foster City		✓	✓	✓	✓	✓
Lincoln, Webster	East Palo Alto	✓		☎		✓	✓
Manalo, Juslyn	Daly City	✓	✓	✓	✓	✓	✓
Mehlinger, Richard	Sunnyvale	✓	✓	✓	✓	✓	✓
Mickelsen, Chris	Coastside	✓	✓	✓	✓	✓	✓
Montano, Carmen	Milpitas			✓	✓		✓
Nash, Betsy	Menlo Park	✓	✓	✓	✓	✓	✓
Piccolotti, Tom	North Coast	✓	✓	✓	✓	✓	✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	✓	✓
Ragsdale, Leslie	Hillsborough	✓	✓	☎	✓	✓	✓
Schneider, Ann	Millbrae	✓	✓	✓	✓	✓	✓
Showalter, Patricia	Mountain View		✓	✓	✓	✓	☎
Stevenson, Peter	Burlingame	☎		✓	✓	✓	✓
Stone, Greer	Palo Alto	✓	✓	✓	✓	✓	✓
Vella, Louis	Mid-Peninsula	✓	✓	✓	✓	✓	✓
Weed, John	ACWD	✓		✓	✓	✓	☎
Zigterman, Tom	Stanford	✓	✓	✓	✓	✓	

✓ **:** Present

***** **:** Predecessor

☎ : Teleconference

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: **November 8, 2026**

SUBJECT: **Budget Status Report as of September 30, 2026**

This memorandum shows fiscal year budget status for FY 2026-26. 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 three-month period ending September 30, 2026, 25 percent into the fiscal year, total expenditures were $1,082,987 or 20 percent of the total budget of $5,340,828

Table 1. Operating Budget Summary as of September 30, 2026

Cost Category	Budget	Year-To-Date Expenses	Percent
Consultants /Direct Expenditures			
Reliability	1,326,500	209,416	16%
Fair Pricing	320,264	70,351	22%
Administration	346,000	38,743	18%
Subtotal	*1,867,764*	*318,510*	*17%*
Administration and General			
Salary & Benefits	2,844,489	671,029	24%
Other Expenses			
BAWSCA	562,800	93,449	17%
BAWUA	1,050	0	0%
Subtotal	*5,276,103*	*1,082,987*	*21%*
Capital Expenses	5,000	0	0%
Budgeted Contingency	57,500	0	0%
Regional Financing Authority	2,225	0	0%
Grand Total	*5,340,828*	*1,082,987*	*20%*

Overview:

Overall expenditures for FY 2026-27 are tracking within budget.

Consultants
The $115,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 5 percent expended. The Operating Budget allocation of $935,000 budget for legal counsel was 23 percent expended. The $301,500 budget for water management and conservation-related activities was 7 percent expended. Over the next two months, the CEO will be closely reviewing consultant expenses, including legal counsel, as part of the mid-year budget review and will present these findings and potential Work Plan and Operating Budget modifications to the Board at its January 2027 meeting.

Administration and Other Expenses
Budgets for salaries and other expenses were 24 percent and 21 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 2025-26 were $652,585. The BAWSCA General Reserve balance as of October 31, 2026, shown below, does not reflect this deposit. Once the audited financial report has been accepted by the Board of Directors, the unspent balance from FY 2025-26 will be transferred to the General Reserve.

In accordance with the adoption of the FY 2026-27 annual budget in May 2026, the Board authorized a transfer of $54,881 to the General Reserve during the approval of the FY 2026-27 Operating Budget. The General Reserve balance as of October 31, 2026 reflects this transfer and represents 27% of the adopted FY 2026-27 Operating Budget.

Table 2. General Reserve Fund Balance

Fund	Account Balance (As of 06/30/26)	Account Balance (As of 10/31/26)
General Reserve	$1,405,262	$1,460,143

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Receive and File Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2025-26**

Summary:

An independent auditor report for BAWSCA and a compilation report for Bay Area Water Users Association (BAWUA) have been completed for the year ending June 30, 2026. An audit of BAWSCA accounts is required by Division 31, Section 81426 of the Water Code. The compilation of BAWUA accounts is prepared in accordance with its bylaws, Article 8, Section 8.2. Links to the reports are listed below. Hard copies are provided under separate cover for the Board's review. A financial audit of the Regional Finance Authority is not required at this time.

Fiscal Impact:

None

Board Policy Committee Action:

None. The reports became available on November 9th for staff review, allowing their inclusion in the BAWSCA board meeting agenda.

Recommendation:

That the Board receive and file the independent auditor's report for BAWSCA and the compilation report for BAWUA for the year ending June 30, 2026.

Discussion:

BAWSCA's and BAWUA's financial statements have been audited and compiled by the independent auditing firm of Chavan & Associates, LLP. The goal of an independent audit is to provide reasonable assurance that the financial statements are free from material misstatement.

Based on their review of the financial statements, the auditors have concluded that the financial statements are in conformance with generally accepted accounting principles, and fairly present, in all material respects, the financial position of both BAWSCA and BAWUA and the changes in financial position and cash flow for FY 2025-26.

As demonstrated by the statements, schedules and notes included in the auditor's reports, BAWSCA and BAWUA are meeting the requirements for sound financial management.

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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: **November 8, 2026**

SUBJECT: **Directors' Reimbursement Quarterly Report for the Period Ending September 30, 2026**

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 September 30, 2026.

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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: **November 8, 2026**

SUBJECT: **Employees' Reimbursement Quarterly Report for the Period Ending September 30, 2026**

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 September 30, 2026.

Table 1. Employee Reimbursement Expenses

BAWSCA Employee	Expense Amount	Purpose
Tom Francis	$1750	• UWI conference expenses
Negin Ashoori	$327	• ACWA/JPIA conference expenses
Deb Grimes	$5,905	• Software expenses • Meeting expenses
Lourdes Enriquez	$199	• Office Supplies
Christina Tang	$200	• GFOA Annual membership
Tom Smegal	$1,027	• UWI conference expenses

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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: **Deborah Grimes, Office Manager**

DATE: **November 8, 2026**

SUBJECT: **Investment Report – As of October 31, 2026**

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 19, 2026, 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:

06/30/26	10/31/26
$3,714,150	$3,787,847

Of the total in the BAWSCA LAIF account as of October 31, 2026, $1,460,143 represents BAWSCA's General Reserve Fund, equivalent to approximately 27 percent of FY 2026-2027 Operating Budget, within the 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:

06/30/26	9/30/26
3.92%	3.97%

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Annual Review and Consideration of BAWSCA's Statement of Investment Policy**

Summary:

The Board's Investment Policy states that the CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The previous review occurred on November 20, 2025 and resulted in no modifications to the Investment Policy. Quarterly investment reports are provided to the Board as required by the policy. The last investment report was provided to the Board on September 17, 2026.

BAWSCA's Investment Policy applies to all funds and investment activities under the direction of the agency. It also specifies permitted investment instruments for the bond proceeds and delegates the management and oversight of the investments to the CEO/General Manager. Based on a recent review of the agency's circumstances, BAWSCA believes the current permitted investment instruments are consistent with the agency's risk tolerances and primary investment objectives. In consideration of the long-term nature of the stabilization fund, BAWSCA has determined that the current 0-5 year laddered maturity investment strategy is appropriate and continues to provide the agency opportunities to benefit from longer maturity and higher yielding investments over time.

Legal counsel has confirmed that the current Statement of Investment Policy reflects language consistent with the State law. A copy of the policy is attached. Other than minor clerical clean-up edits, no changes to the policy, including the investment strategy for the bond proceeds, are recommended at this time.

Fiscal Impact:

No impact on BAWSCA's annual operating budget.

Board Policy Committee Action:

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

Recommendation:

That the Board re-affirm the current Statement of Investment Policy.

Discussion

The primary objectives of BAWSCA's Investment Policy are safety, liquidity and return on investment. All BAWSCA funds shall be invested in accordance with the Investment Policy and the California Government Code.

Permitted Investments for Agency Funds

The current Investment Policy requires the agency funds that are not invested in the Local Agency Investment Fund (LAIF) to be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and

conditions of the Government Code. The current policy also limits the maturity of any Certificate of Deposit to 12 months or less.

Although the current California Debt and Investment Advisory Commission (CDIAC) investment guidelines allow for community bank participation in holding local agency funds and for Certificates of Deposit with a maturity of up to 5 years, it is determined that a change to allow longer maturities of Certificates of Deposit is not needed at this time, given the agency's high liquidity needs. BAWSCA will continue investigating these additional investment options as the Investment Policy may be amended from time to time.

Permitted Investments for Bond Proceeds

BAWSCA's bond proceeds are held in a separate trust account at the Bank of New York Mellon Trust Company (Trustee) and are invested in accordance with the Bond Indenture and the agency's Investment Policy. The Bond Indenture specifies investments in which BAWSCA is permitted to invest bond proceeds. BAWSCA's Investment Policy further restricts allowable investments for bond proceeds to four specific instruments: Federal Securities, Money Market Mutual Funds, Certificates of Deposit, and US Agency Securities.

BAWSCA staff believe the current permitted investment instruments are consistent with the agency's risk tolerances and primary investment objectives. No changes to the permitted investments for the bond proceeds are recommended at this time.

Investment Strategy for Bond Stabilization Fund

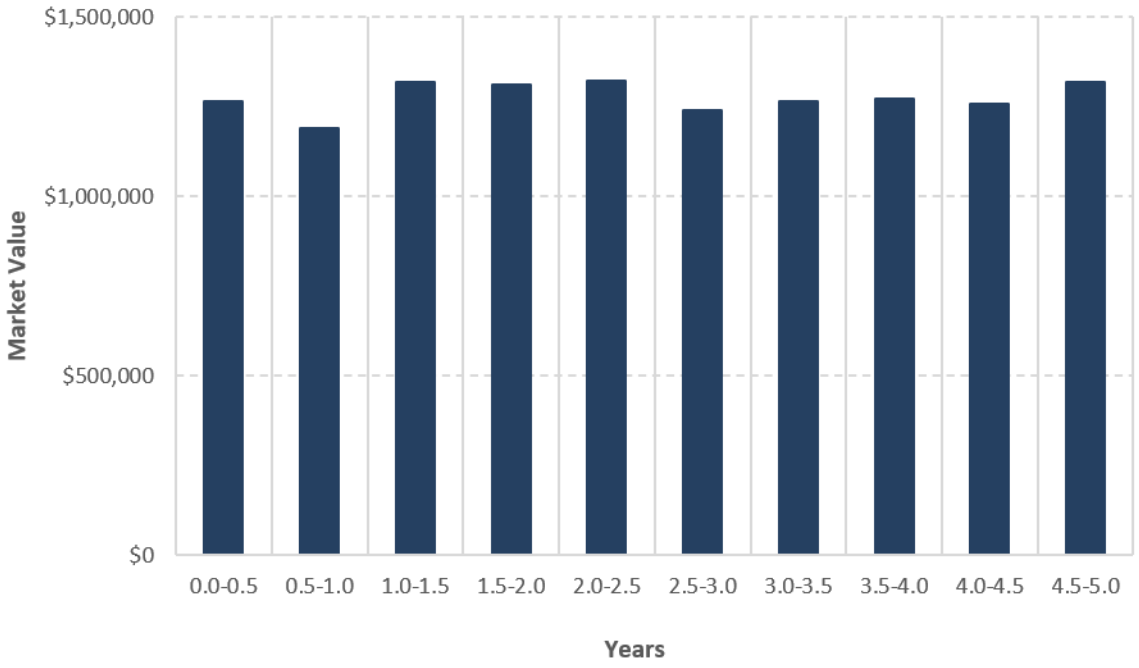
BAWSCA's bond stabilization fund held at the Trustee serves as a reserve to cover the debt service payments in case of shortfalls in the surcharge collection. As part of this annual review, BAWSCA reviewed the investment strategy for the stabilization fund given current market conditions.

Since 2018, BAWSCA has utilized a 0–5 year laddered maturity strategy to manage the investment portfolio. More recently, persistent inflation and resilient economic activity have led the Federal Reserve to shift toward a more restrictive policy stance, including a 25-basis-point increase in the federal funds target range in September. The Federal Reserve has indicated that inflation remains elevated and that monetary policy will remain focused on restoring price stability while its latest projections suggest policy rates may remain higher for longer than previously anticipated. Within this evolving interest-rate environment, BAWSCA's 0–5 year laddered maturity structure continues to provide important diversification across the yield curve and helps mitigate the risks associated with changes in interest rates. As rates rise, regularly scheduled maturities provide opportunities to reinvest proceeds at higher prevailing yields, allowing portfolio income to adjust upward over time. Conversely, if rates decline, the portfolio's allocation to longer-maturity securities help preserve previously locked-in yields and reduce reinvestment-rate risk relative to a shorter-duration strategy. The current investment strategy therefore provides a balanced approach to managing both market price risk and reinvestment-rate risk while remaining consistent with BAWSCA's risk tolerances, liquidity requirements, and primary investment objectives. For these reasons, BAWSCA and its investment advisor believe the current strategy remains appropriate as longer maturity strategies have historically provided the opportunity for greater investment income and return over time, and the laddered maturity structure reduces reliance on any single interest-rate environment.

As of October 1, 2026, the total balance held by the Trustee was $19,301,172, which includes: (1) the bond surcharges of $6,563,412 collected from the member agencies to pay the next semi-annual debt service payment, and (2) the stabilization fund of $12,737,760.

A summary of the current investment portfolio maturity distribution for BAWSCA's stabilization fund is shown in Figure 1. The CEO/General Manager anticipates another evaluation of the investment strategy during next year's Investment Policy review. The result of the evaluation will be reported to the Committee and the Board.

Figure 1: Stabilization Fund Investment Portfolio Maturity Distribution as of 10/6/2026



Attachments:

1. Statement of Investment Policy, showing clerical edits in redlined format
2. Statement of Investment Policy, incorporating edits

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY

STATEMENT OF INVESTMENT POLICY

1. Introduction

The investment policies and practices of the Bay Area Water Supply & Conservation Agency (BAWSCA) are based on state law and prudent money management. All funds will be invested in accordance with the Agency's Investment Policy and the California Government Code.

2. Scope

This policy applies to all funds and investment activities under the direction of the Agency, including funds held in the name of the Bay Area Water Users Association (BAWUA), a California nonprofit corporation of which the Agency is the sole member.

3. Prudence

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. All persons investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency.

Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

4. Objectives

The primary objectives, in priority order, of the Agency's investment activities shall be:

A. Safety. Safety of principal is the foremost objective of the investment program. The Agency's funds shall be invested in a manner that seeks to ensure preservation of capital.

B. Liquidity. The Agency's investments will remain sufficiently liquid to enable the Agency to meet its cash flow requirements.

C. Return on Investment. The Agency's investments shall be designed with the objective of attaining a market rate of return consistent with the constraints imposed by its safety and liquidity objectives.

5. Delegation of Authority

The management and oversight responsibility for investments is hereby delegated to the CEO/General Manager who shall monitor and review all investments for consistency with this Investment Policy.

6. Investment of Funds

A. Permitted Investments and Depositories

(i) Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the California Government Code, as it may be amended from time to time.

(ii) Collateralization will be required on all deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit, in accordance with Government Code Sections 53630-5368~~67 and Section 16522~~. Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

B. Other Limitations

(i) The General Manager may maintain separate accounts for the Agency and for BAWUA.

(ii) Investment maturities shall be based on a review of cash flow forecasts and shall be scheduled so as to allow the Agency to meet all projected obligations. The maturity of any certificate of deposit shall not exceed 12 months.

7. Investment of Bond Proceeds

Permitted Investments and Depositories. Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance ~~of those bonds~~." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture"). This gives BAWSCA the flexibility to, through amendments to future Investment Policies, gradually

expand permitted investments for bond proceeds to include some or all of the investment vehicles permitted in the Indenture. As such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

(i) "Federal Securities" meaning direct and general obligations of the United States of America, or those which are fully and unconditionally guaranteed as to timely payment of principal and interest by the same;

(ii) "Money Market Mutual Funds" meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G" or "AAAm" and, if rated by Moody's, having a rating by Moody's of "Aaa," including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(iii) "Certificates of Deposit" (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers' acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates; and

(iv) "U.S. Agency Securities" meaning bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (1) senior debt obligations of the Federal Home Loan Bank System; (2) senior debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC); (3) senior debt obligations of the Federal National Mortgage Association (FNMA); and (4) consolidated systemwide bonds and notes of the Farm Credit System. The investment in U.S. Agency Securities has a sector allocation limit not to exceed 40% of total stabilization fund market value at the time of purchase.

8. Reporting Requirements

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

9. Annual Review of Investment Policy

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The Agency shall also annually verify that deposits are properly collateralized.

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BAY AREA WATER SUPPLY & CONSERVATION AGENCY

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Investments shall be made with the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived, and in accordance with the provisions of Government Code Section 53600 et seq.

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vehicles permitted in the Indenture. As such, notwithstanding language allowing a broader range of investment vehicles in the Indenture, bond proceeds may be invested only in the following instruments:

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(ii) "Money Market Mutual Funds" meaning funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G" or "AAAm" and, if rated by Moody's, having a rating by Moody's of "Aaa," including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund or for which the Trustee or any of its affiliates serve as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(iii) "Certificates of Deposit" (including those placed by third parties pursuant to an agreement between the Agency and the Trustee), trust funds, trust accounts, overnight bank deposits, interest bearing money market accounts, time deposits, savings accounts, deposit accounts, bankers' acceptances or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including those of the Trustee or its affiliates; and

(iv) "U.S. Agency Securities" meaning bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies: (1) senior debt obligations of the Federal Home Loan Bank System; (2) senior debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC); (3) senior debt obligations of the Federal National Mortgage Association (FNMA); and (4) consolidated systemwide bonds and notes of the Farm Credit System. The investment in U.S. Agency Securities has a sector allocation limit not to exceed 40% of total stabilization fund market value at the time of purchase.

8. Reporting Requirements

The CEO/General Manager shall provide the Board a quarterly investment report, which shall include the information specified in Government Code Section 53646.

9. Annual Review of Investment Policy

The CEO/General Manager shall annually submit a Statement of Investment Policy to the Board, which the Board will consider at a public meeting. The Agency shall also annually verify that deposits are properly collateralized.

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Resolution Approving the Temporary Re-appointment of Nicole Sandkulla as Special Counsel to the CEO/GM**

Summary:

The California Public Employees' Retirement System (CalPERS) requires Board findings before Nicole Sandkulla, who has retired from BAWSCA, can be re-appointed to the position of Special Counsel to the Chief Executive Officer and General Manager (CEO/GM) to provide BAWSCA with essential services. The responsibilities for this position are described in Exhibit A.

Fiscal Impact:

Sufficient funds to re-appoint Nicole Sandkulla as Special Counsel to the CEO/GM are estimated to be available in the adopted budget for FY 2026-27. No budget adjustment is needed at this time.

These estimates will be updated and reviewed during the mid-year work plan and budget review.

If the estimate at mid-year indicates that the adopted operating budget will be insufficient through the end of the year, the additional increment of funding will be relatively small and may be available from savings in other areas of the budget or, if necessary, from the General Reserve.

Board Policy Committee Action:

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

Recommendation:

That the Board adopt Resolution #2026-02 approving the temporary re-appointment of Nicole Sandkulla to the position of Special Counsel to the CEO/GM and make associated findings in support of such an appointment.

Discussion:

Nicole Sandkulla continues to be essential in providing critical executive strategic advice and counsel services to CEO Smegal on an as-needed basis.

The California Government Code allows the temporary employment of a PERS-covered retiree only under specified conditions, and only if the person works no more than 960 hours per fiscal year. During fiscal year 2024-2025, Ms. Sandkulla billed 63.50 hours as Special Counsel to the CEO/GM, and during fiscal year 2025-2026 she billed 39.50 hours, an average of 51.50 hours per year, well below the 960-hour limit. The attached resolution includes findings that the Board must adopt for the CEO/GM to retain Ms. Sandkulla in this position for no longer than twenty-four months in compliance with all legal requirements. The resolution also includes the CEO/GM position's base salary of $330,195 as of October 1, 2026, demonstrating that Ms. Sandkulla's compensation will be consistent with the salary for the position most closely related to the duties that Ms. Sandkulla will be performing. Ms. Sandkulla will be paid an hourly rate of $158.75. Consistent with state law, Ms. Sandkulla has not and will not receive any other benefit, incentive, compensation in lieu of benefit or other form of compensation in addition to her hourly pay rate.

Background:

In November 2024, the Board adopted Resolution #2024-04 approving the appointment of Nicole Sandkulla as Special Counsel to the CEO/General Manager for a period of 24 months. She continues to be essential in providing critical executive strategic advice and counsel services to CEO Smegal with her deep institutional knowledge about the agency and insight in its policies.

Ms. Sandkulla served as BAWSCA's CEO/General Manager from July 2013 through December 2024. Prior to her appointment as CEO/General Manager, she had been with the agency for fourteen years advancing from her initial position as Water Resource Planner for the Bay Area Water Users Association (BAWUA), BAWSCA's predecessor, to BAWSCA's Water Resources Planning Manager.

The Board's appointment of Ms. Sandkulla as Special Counsel to CEO Smegal is consistent with the Board's historical decision to appoint former CEO/General Manager Art Jensen as her Special Counsel during her leadership transition. Additionally, Ms. Sandkulla provides the counsel that corresponds with the guidance she and Art Jensen received from the late Bud Wendell, who served as BAWSCA's and BAWUA's Strategic Counsel for 24 years.

Ms. Sandkulla's long history with BAWSCA provides valuable support to CEO Smegal as he navigates the agency's strategic vision, long-term goals, and future opportunities.

Attachments:

1. Exhibit A, Responsibilities of Special Counsel to the CEO/GM.
2. Resolution #2026-02 Approving the Temporary Re-Appointment of Nicole Sandkulla as Special Counsel to the CEO/GM.

EXHIBIT A

BAWSCA

Special Counsel to the Chief Executive Officer and General Manager

RESPONSIBILITIES

The part-time position of Special Counsel to the CEO/GM will report to Thomas Smegal.

The Special Counsel to the CEO/GM will assist the CEO/GM by providing executive strategic advice and counsel to Mr. Smegal.

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RESOLUTION NO. 2026-02
BY THE BOARD OF DIRECTORS OF THE
BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

APPROVING TEMPORARY APPOINTMENT OF NICOLE SANDKULLA AS SPECIAL COUNSEL TO THE CEO/GM AND MAKING FINDINGS IN SUPPORT OF THE APPOINTMENT

WHEREAS, the Bay Area Water Supply and Conservation Agency ("BAWSCA") is organized and established pursuant to the Bay Area Water Supply and Conservation Agency Act, Water Code section 81300, et seq. (the “Act”);

WHEREAS, section 81408 of the Act authorizes the Board of Directors of BAWSCA (the "Board") to (i) employ employees that it determines are necessary or convenient to operate BAWSCA, and (ii) delegate that authority to the Chief Executive Officer and General Manager of BAWSCA (the "CEO/GM") with respect to the employment of additional employees;

WHEREAS, CEO/GM, Thomas Smegal, would benefit from the temporary appointment of Nicole Sandkulla (the "Appointee") to the position of Special Counsel to the CEO/GM;

WHEREAS, the Appointee will be a retired annuitant entitled to receive retirement benefit payments under the California Public Employees’ Retirement System (“PERS”), which benefits she accrued based on service with multiple PERS-covered agencies;

WHEREAS, BAWSCA contracts with PERS to provide retirement benefits to its eligible employees;

WHEREAS, the Appointee will be performing similar duties to those performed by individuals who have held or are currently holding the position of CEO/GM;

WHEREAS, the California Government Code (“Code”) generally requires that a retired PERS annuitant be reinstated to active PERS membership upon employment by a PERS-covered agency, unless she is temporarily appointed by the agency's appointing authority under sections 7522.56 and 21224 of the Code, which exempt a retired PERS annuitant from the reinstatement requirement if (i) she is temporarily appointed because she “ . . . has specialized skills needed in performing work of limited duration,” (ii) she works no more than 960 hours per fiscal year for all PERS-covered employers, (iii) her hourly rate of pay is neither less than nor more than the monthly base salary paid by the agency to any of its other employees who perform comparable duties, divided by 173.333, as reflected in the publicly-available salary schedule, (iv) she will not receive any other benefit, incentive, compensation in lieu of benefits, or other form of compensation in excess of such hourly rate, (v) she is not reemployed within 180 days of her retirement, unless she did not receive any incentive to retire, and the appointment is certified by the agency as necessary to fill a critically-needed position before 180 days has passed and approved by the employer's governing body at a public meeting, and (vi) she has not received unemployment compensation arising out of any prior employment subject to these requirements with the same employer during the 12-month period preceding her appointment;

WHEREAS, Code section 7522.56 also permits a retired PERS annuitant to be employed within 180 days following the date of retirement, if, among other criteria, she (i) fills a “critically needed position before 180 days have passed” and (ii) the appointment has been “approved by the governing body of the employer in a public meeting;”

WHEREAS, the Board has determined that BAWSCA continues to have a critical need and that the appointment of the Appointee is necessary to fill this critical need;

WHEREAS, the Board has also determined that the Appointee has the skills needed in performing work as Special Counsel to the CEO/GM for a limited term of no more than twenty-four months and intends that her appointment to that position for such term meet this and all other applicable requirements of sections 7522.56 and 21224 of the Code;

WHEREAS, the hourly pay rate to Appointee will be $158.75, calculated from CEO Smegal's base salary of $330,195 as of October 1, 2026, as required by sections 7522.56 and 21224 of the Code; and

WHEREAS, Appointee has not and will not receive any other benefit, incentive, compensation in lieu of benefit or other form of compensation in addition to the hourly pay rate stated above.

NOW THEREFORE BE IT RESOLVED, that subject to BAWSCA's customary employment practices and the specific terms and conditions of any offer of employment by BAWSCA to the Appointee in connection therewith, the Board hereby approves the appointment of the Appointee to the position of Special Counsel to the CEO/GM for up to one twenty-four month term, effective upon appropriate action by the incoming CEO/GM; and

RESOLVED FURTHER, that in accordance with sections 7522.56 and 21224 of the Code:

1. The Board finds that BAWSCA continues to have a critical need to fill the position of Special Counsel to the CEO/GM;

2. The Board finds and declares that the Appointee possesses extensive, highly specialized skills and experience needed to provide critical executive strategic advice and counsel to CEO Smegal;

3. The Appointee's appointment to the position of Special Counsel to the CEO/GM will not exceed 960 hours in any fiscal year for all PERS-covered agencies;

4. The Appointee is being appointed more than 180 days after her retirement;

5. The Appointee's hourly rate of pay as Special Counsel to the CEO/GM will be neither less than nor more than the base monthly salary of any of BAWSCA's other employees who perform comparable duties divided by 173.333, and she will not receive any other benefit, incentive, compensation in lieu of benefits, or other form of compensation in excess of such hourly rate;

6. The Appointee has not received any unemployment compensation arising out of her prior employment with BAWSCA during the 12-month period preceding her appointment; and

7. Subject to BAWSCA's customary employment practices, including "at-will" employment, the appointment of Appointee as Special Counsel to the CEO/GM will continue only until the earlier of: (i) the end of the appointment's twenty-four month term, or (ii) termination of the Appointee's employment by either BAWSCA or the Appointee for any other reason.

RESOLVED FURTHER, that the CEO/GM, Thomas Smegal is hereby authorized and directed to execute all documents and take all other actions necessary or advisable to effect the purposes of this resolution.

PASSED AND ADOPTED this ____ day of _____, 2026, by the following vote:

AYES:

NOES:

ABSENT:

_____
Chair, Board of Directors
Bay Area Water Supply and
Conservation Agency

ATTEST:

_____
Assistant to the CEO

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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 – Draft Implementation Plan**

Summary:

This memorandum provides an update on BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy 2050) and presents the Strategy 2050 Draft Implementation Plan (Implementation Plan) for four technical areas: Funding and Financing, Affordability, Emergency Preparedness, and Regulatory.

The Implementation Plan translates the findings and recommendations developed through Strategy 2050 into an organized program that considers relative priorities, roles, and resource needs. It builds on the work completed to date to identify needs and opportunities for the BAWSCA region, as well as input received from member agencies, the Board Policy Committee (BPC), the Board, and other stakeholders.

The draft Implementation Plan for Water Supply Reliability projects and actions (P&As) will be developed following completion of the portfolio evaluation and presented to the BPC in December 2026 and the Board in January 2027.

Recommendation:

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

Board Policy Committee Input:

During the October 14th Board Policy Committee meeting, the Committee was presented with the initial Implementation Plan that grouped Strategy 2050 recommendations into three potential implementation levels: Priority Investments, Incremental Investments, and Maximize Regional Resilience. This was an informational item and no Committee action was requested. The Committee provided input on the appropriate level of BAWSCA involvement, regional priorities, and resource considerations. That input has been incorporated, and the Draft Implementation Plan has been restructured into the phased implementation framework described below.

Discussion:

Strategy 2050 has assessed risks to water supply reliability in the BAWSCA region and identified local and regional P&As to address them, with input from member agency staff, the BPC, and the Board. The Implementation Plan is in addition to that work. It will preserve BAWSCA's core regional function: representing member agencies and coordinating on water supply reliability issues that affect the wholesale customer region. It will also define where BAWSCA would expand its role to advance progress toward Strategy 2050 objectives.

Implementation Plan Framework

The Implementation Plan framework identifies near-term, mid-term, and trigger-based actions to support Strategy 2050 objectives:

- **Near-Term:** Priority recommendations to be implemented in the first five years.
- **Mid-Term:** Recommendations to be advanced as funding and organizational capacity become available.

- **Trigger-Based:** Recommendations enacted when a predefined milestone, condition, or project phase is reached, rather than according to a fixed timeline.

Near-term and mid-term actions are further divided into upfront investments (one-time initial effort required to establish the infrastructure needed for long-term success) and ongoing implementation (recurring actions required to sustain and advance established recommendations over time). Ongoing implementation actions are categorized as:

- **Core programs:** Implemented across the BAWSCA region for the benefit of all member agencies and their customers.
- **Subscription programs:** Implemented for and funded by those member agencies that elect to participate.

The Implementation Plan framework is shown in Table 1.

Table 1: Implementation Plan Framework

<table>
<tr><th colspan="2">Near-Term
Priority recommendations to be implemented in the first five years</th><th colspan="2">Mid-Term
Recommendations to be advanced as funding and organizational capacity becomes available</th><th>Trigger-Based</th></tr>
<tr><td colspan="4">Upfront Investments:
One-time initial effort required to establish and create the infrastructure needed for long-term success</td><td rowspan="5">Trigger:
Predefined milestone, condition, or project phase that initiates a specific recommendation

Actions:

Recommendations enacted when a specific milestone, condition, or project phase is reached, rather than according to a fixed timeline</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td colspan="4">Ongoing Implementation:
Recurring actions required to sustain and advance established recommendations over time</td></tr>
<tr><td>Core</td><td>Subscription</td><td>Core</td><td>Subscription</td></tr>
<tr><td>Activities implemented regionally</td><td></td><td></td><td>Activities funded by participating member agencies</td></tr>
</table>

Technical Area Implementation Plans

The Implementation Plan for each of the four technical areas is shown in Tables 2 through 5 and was developed through a four-step process: compile, categorize, gather input, and refine. The Strategy 2050 team compiled the recommended actions from each Strategy 2050 task and grouped them by relative priority and level of effort. The draft recommendations were presented to the Water Management Representatives (WMR) at the October 1, 2026 WMR meeting, where BAWSCA asked for input on possible changes, additional recommendations, and a preferred approach. BAWSCA then sent a survey asking each member agency to rank and prioritize the recommendations within each category and presented the survey results to the WMRs at the November 5, 2026 WMR meeting. The draft was also reviewed by the BPC at its October 14, 2026 meeting. Based on this input, the recommendations were organized into the near-term, mid-term, and trigger-based framework described above.

Table 2: Funding and Financing Implementation Plan

<table>
<tr><th colspan="2">Near-Term</th><th colspan="2">Mid-Term</th><th>Trigger-Based</th></tr>
<tr><td colspan="2"><u>Upfront Investments:</u></td><td colspan="2"></td><td rowspan="4">Trigger:
P&A advances towards construction
Action:
Legislative advocacy for priority P&As (core or subscription)

Trigger:
3+ BAWSCA agencies align on P&A for further implementation
Action:
BAWSCA as sponsor for P&As (subscription)

Trigger:
P&A identified for potential regional funding partnership
Action:
Regional funding program (independently or with SFPUC)</td></tr>
<tr><td colspan="2">• Establish Grant Support Program
• Extend Regional Financing Authority
• Facilitate regional forum and discussions on asset management programs</td><td colspan="2">• Further develop regional funding program institutional model and potential pilot
• Evaluate options to expand use of Regional Financing Authority</td></tr>
<tr><td colspan="2"><u>Ongoing Implementation:</u></td><td colspan="2"></td></tr>
<tr><td>Core</td><td>Subscription</td><td>Core</td><td>Subscription</td></tr>
<tr><td>• Maintain list of agencies' funding needs
• Maintain Grants Tool</td><td>• Grant Support Program</td><td>• Regional funding advocacy</td><td>• Funding advocacy for individual P&As</td><td></td></tr>
</table>

Table 3: Affordability Implementation Plan

<table>
<tr><th colspan="2">Near-Term</th><th colspan="2">Mid-Term</th><th>Trigger-Based</th></tr>
<tr><td colspan="2"><u>Upfront Investments:</u></td><td colspan="2"></td><td rowspan="4">Trigger:

Regional water affordability assessments show decline in affordability

Actions:
• Establish subscription water bill assistance program with a nonprofit partner
• Review P&A implementation next steps with revised affordability lens</td></tr>
<tr><td colspan="2">• Guidance for member agencies to conduct affordability assessment with agency data</td><td colspan="2">• Workshops on regional affordability thresholds
• Template partnership agreements for member agencies for non-profit partnerships</td></tr>
<tr><td colspan="2"><u>Ongoing Implementation:</u></td><td colspan="2"></td></tr>
<tr><td>Core</td><td>Subscription</td><td>Core</td><td>Subscription</td></tr>
<tr><td>• Regional water affordability assessment updates</td><td>None currently</td><td>• Support for agencies in design / implementation of customer assistance programs</td><td>None currently</td><td></td></tr>
</table>

Table 4: Emergency Preparedness Implementation Plan

<table>
<tr><th colspan="2">Near-Term</th><th colspan="2">Mid-Term</th><th>Trigger-Based</th></tr>
<tr><td colspan="4">Upfront Investments:</td><td rowspan="6">Trigger:

Need for shared equipment or funding identified through working sessions/exercises

Action:

Pursue grant funding for regional emergency resilience programs

Trigger:

Need for water quality testing services identified through working sessions

Action:

Develop procedures or subscription services for water quality testing and recovery after an emergency</td></tr>
<tr><td colspan="2">• Regional emergency contact list updates
• Shared library of emergency templates/documents
• Interties assessment</td><td colspan="2">• Multilingual emergency communications
• Inventory of emergency equipment
• Tracking system of member agency trainings/exercises</td></tr>
<tr><td colspan="4">Ongoing Implementation:</td></tr>
<tr><td>Core</td><td>Subscription</td><td>Core</td><td>Subscription</td></tr>
<tr><td>• County emergency services offices coordination</td><td>None currently</td><td>• Working sessions on emergency preparedness and cybersecurity
• Annual emergency exercises on wholesale customer scenarios</td><td>None currently</td></tr>
</table>

Table 5: Regulatory Implementation Plan

<table>
<tr><th colspan="2">Near-Term</th><th colspan="2">Mid-Term</th><th>Trigger-Based</th></tr>
<tr><td colspan="4">Upfront Investments:</td><td rowspan="6">Trigger:

Regional Purified Water Program reaches design phase

Action:
Regional Purified Water Outreach</td></tr>
<tr><td colspan="2">• Data Center Policy Support
• Conservation Strategic Plan
• Establish Legislative / Regulatory Program
• Establish UWUO/NFT Compliance Support Program for CII
• AI Policy and Strategy</td><td colspan="2">• Onsite Reuse Implementation Program Development</td></tr>
<tr><td colspan="4">Ongoing Implementation:</td></tr>
<tr><td>Core</td><td>Subscription</td><td>Core</td><td>Subscription</td></tr>
<tr><td>• Legislative / Regulatory Tracking
• Policymaker Relationships</td><td>• Lobbyist Support
• UWUO/NFT Compliance Program
• Commercial audits and retrofits rebates</td><td>None currently</td><td>• Onsite Reuse Program</td></tr>
</table>

Board Discussion Questions

At the November 19, 2026 meeting, Board members will be asked to provide input on the following questions:

- Does the near-term, mid-term, and trigger-based framework provide an appropriate structure for implementing Strategy 2050?
- Are the near-term priorities appropriate given BAWSCA's organizational capacity and available resources?
- What considerations should guide whether ongoing programs are offered as core or subscription programs?
- What revisions should staff make as the Implementation Plan is refined?

Next Steps

BAWSCA will refine the Implementation Plan for the Funding and Financing, Affordability, Emergency Preparedness, and Regulatory technical areas based on input from the Board and the WMR. In parallel, BAWSCA is completing the Strategy 2050 portfolio evaluation, which compares alternative combinations of projects and actions (P&As) based on their water supply reliability, cost, and implementation tradeoffs. The results will inform recommendations for water supply reliability P&As and associated funding approaches, which will be presented to the BPC in December 2026 and the Board in January 2027.

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BAWSCA
Bay Area Water Supply & Conservation Agency

November 12, 2026

Mr. Dennis Herrera, General Manager
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

RE: Request to Review SFPUC's Design Drought

Dear Mr. Herrera,

This letter requests that the SFPUC review its drought planning procedures, particularly SFPUC's reference drought hydrology of 1987-1992 plus 1976-1977 (the Design Drought) to determine if it remains a reasonable planning framework.

Drought planning is critical to ensuring that San Francisco can meet its water supply level of service obligations under the 2025 Amended and Restated Water Supply Agreement between the City and County of San Francisco and its Wholesale Customers. Since its inception in 1992, the Design Drought has served as an important water supply planning tool in ensuring that the Hetch Hetchy Regional Water System provides a reliable water supply to the region in drought conditions worse than those experienced in 1987-1992. The Design Drought thus has been a critical component of long-term water supply planning and operations by the SFPUC, its 26 Wholesale Customers in Alameda, San Mateo and Santa Clara counties, and BAWSCA.

BAWSCA is aware that members of the public have criticized the Design Drought at meetings of your Commission. Similar criticisms have also been expressed by certain members of the public at BAWSCA Board meetings. In addition, BAWSCA is aware of concerns about the Design Drought from a subset of individual City Council members and Board members from BAWSCA member agencies during the recent Urban Water Management Plan approval process.

Furthermore, through its Strategy 2050 project, BAWSCA better understands the risks and changes potentially brought about by climate change. In fact, the State recently issued its fifth Climate Change Assessment which highlights likely mid-century impacts such as up to a 50% decline in spring Sierra Nevada snowpack, longer droughts, and rising temperatures, underscoring the need for agencies to incorporate more severe, prolonged, and variable drought conditions into their drought-planning scenarios. It is unclear if the SFPUC's Design Drought hydrologic sequence has been modified or adapted to address these factors.

BAWSCA previously stated in 2022 that it would be open to San Francisco revisiting its drought planning so long as that analysis is transparent and included an opportunity for BAWSCA to provide input.

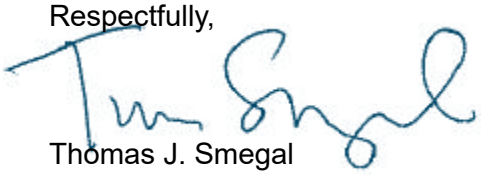
Initiating this review now presents an opportunity to bolster confidence in the SFPUC's drought planning process and set the SFPUC up for operational success in the coming decades. There exists a window of opportunity to complete this work before the next round of Urban Water Management Plans (due in 2031) and the earliest date SFPUC currently proposes expenditures on an Alternative Water Supply project (in 2034). If the State Water Resources Control Board adopts new regulations for the Tuolumne River as part of the Bay-Delta Plan amendment, a drought planning review could also incorporate the water supply impact of that plan.

A project of this type will require significant internal and external resources and have a substantial budget. Recognizing that internal budget approval will take some time, BAWSCA requests that the SFPUC provide an estimate of the time, cost, and scope to perform the requested review so that the Board and its member agencies remain informed on these matters.

BAWSCA recognizes that the analysis could conclude either that a more severe or a less severe drought sequence should be used for planning purposes, or that the existing Design Drought is still appropriate. BAWSCA also recognizes that such results may warrant additional investments in alternative water supply, potentially raising water rates. However, no matter the outcome, BAWSCA remains committed to its goal of ensuring a reliable supply of high-quality water at a fair price for the water customers it represents.

BAWSCA looks forward to working closely with the SFPUC on this important effort. I am available to further discuss this matter.

Respectfully,



Thomas J. Smegal
CEO/General Manager

cc: Steve Ritchie, SFPUC, Assistant General Manager Water Enterprise
Alison Kastama, SFPUC, BAWSCA and Wholesale Customer Liaison
BAWSCA Board of Directors
Allison Schutte, Hanson Bridgett LLP, Legal Counsel

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **BAWSCA Pension Plan Funded Status Update**

Summary:

BAWSCA offers its employees and retirees a defined pension benefit plan that is managed and administered by California Public Employees' Retirement System (CalPERS), a State of California Pension Trust Program.

Per the latest CalPERS actuarial valuation as of June 30, 2025, BAWSCA's unfunded pension liability was $963,799, which is estimated to be paid off by 2035 based on CalPERS' current amortization schedule. The total pension liability was 88% funded based on a discount rate of 6.8%.

Fiscal Impact:

BAWSCA's FY 2026-27 Operating Budget includes the CalPERS required employer contributions of $289,897, which represents 5.4% of the annual budget of $5,340,828.

Recommendation:

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

Discussion:

The CalPERS retirement benefit plan is a defined benefit pension plan that promises a specific retirement payout based on various formulas (e.g. years of service, salary), rather than a defined contribution plan, which has the final benefit depending on contributions and investment performance. Every year, CalPERS provides BAWSCA an actuarial valuation report that includes the latest pension trust funded status and the minimum required employer contributions for the next fiscal year. The minimum required employer contribution is the sum of the Normal Cost (expressed as a percentage of total active payroll) plus the amortization of the Unfunded Accrued Liability (UAL).

BAWSCA's CalPERS Pension Plan Funded Status

Per the latest CalPERS actuarial valuation as of June 30, 2025 provided as Attachment 1 (under separate cover), BAWSCA's unfunded pension liability was $963,799, which is estimated to be paid off by 2035, based on a discount rate of 6.8%. The UAL represents the liability for service that has been earned but not funded. Based on the current amortization schedule, BAWSCA's minimum required employer contribution towards the UAL for FY 2026-27 is $99,441, which is paid in monthly increments.

BAWSCA's latest CalPERS pension plan funded status is summarized below in Table 1. The funded ratio is an assessment of the sufficiency of plan assets to cover future employee benefits for completed service years.

Table 1. Summary of BAWSCA's Pension Plan Funded Status as of 6/30/2025

Actuarial Calculation	CalPERS "Misc." Plan Value
a. Present Value of Projected Benefits (PVB)[1]	$10,030,001
b. Entry Age Normal Accrued Liability (AL)[2]	$8,007,719
c. Market Value of Assets (MVA)[3]	$7,043,920
d. Unfunded Accrued Liability (UAL) =b-c	$963,799
e. Funded Ratio =c/b	88.0%

In January 2026, following Board approval, BAWSCA made an Additional Discretionary Payment (ADP) of $300,000 to CalPERS to reduce BAWSCA's unfunded pension liability. This ADP payment was made after the valuation date of the latest CalPERS actuarial valuation released in July 2026, so the ADP is not reflected on the UAL as of June 30, 2025 shown above, but will be reflected on the UAL as of June 30, 2026.

Based on communication with CalPERS Actuary, BAWSCA's updated UAL as of June 30, 2026, is reduced to approximately $50,000, making the funded ratio an estimated 99.4%. This is because of the $300,000 ADP, and also because of CalPERS' 14.8% investment earnings for FY 2025-26. If the funded ratio exceeds 100%, there will be no UAL payments needed from BAWSCA until the funded ratio drops below 100%. Any excess UAL balance will be used to offset BAWSCA's future UAL payments.

SFPUC's Pension Plan Funded Status

Per the Board's request, staff have continued to monitor the SFPUC's level of funding, summarized as follows.

The SFPUC participates in a cost-sharing multiple-employer defined benefit pension plan that is maintained by the City and County of San Francisco (San Francisco) and administered by the San Francisco City and County Employees' Retirement System (SFERS). As of July 1, 2025, the citywide SFERS program was funded 94.9% with an unfunded liability of $2.0 billion.

In addition, the SFPUC also participates in the Replacement Benefits Plan (RBP) that allows San Francisco to pay SFERS retirees any portion of the mandated retirement allowance that exceeds the annual IRS Section 415 limits. However, the RBP is not funded and the rights are limited, unlike SFERS.

SFPUC Share of Net San Francisco Liability. Per the San Francisco Controller's Office, San Francisco's unaudited total net pension liability as of June 30, 2025 was $4.304 billion that includes $4.170 billion in SFERS and $0.134 billion in RBP. The SFPUC's proportionate share was 7.54% of San Francisco's net pension liability, or $324.616 million that includes $186.711 million for the Water Enterprise and $23.071 million for Hetchy Water, based on a discount rate of 7.2%. For context, SFPUC's FY 2025-26 operating budget, which includes pension benefit payments, was $2.157 billion. The latest SFERS Actuarial Valuation Report as of July 1, 2025 is provided for your reference in Attachment 2 (under separate cover).

[1] PVB presents the total value of all future pension liabilities for current and former employees over lifetimes.
[2] AL is the portion of the PVB that is allocated to past service up to the valuation date. The portion of PVB not in the AL is funded incrementally going forward via the annual Normal Cost.
[3] MVA presents the market value of the pension plan's investments held by CalPERS on the valuation date.

SFPUC Share of Total Contributions. For FY 2025-26, SFPUC's estimated proportionate share of employer contributions was $49.816 million, which includes $28.362 million for the Water Enterprise and $3.522 million for Hetchy Water.

Per BAWSCA's auditors and legal counsel, the unfunded pension liability of the SFPUC is not a liability of Wholesale Customers. Through the established wholesale water rates, BAWSCA agencies pay the wholesale customers' share of SFPUC's pension benefits costs attributable to SFPUC's current and retired employees. BAWSCA agencies' share of the SFPUC's labor costs, including pension benefits, is calculated based on the terms specified in the WSA.

Attachments (Under Separate Cover):

1. Item 9C – Attachment 1: BAWSCA's CalPERS Actuarial Valuation Report as of June 30, 2025
2. Item 9C – Attachment 2: City and County of San Francisco Employees' Retirement System Actuarial Valuation Report as of July 1, 2025

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **BAWSCA Other Post-Employment Benefits (OPEB) Plan Funded Status Update**

Summary:

BAWSCA participates in the California Employers' Retiree Benefit Trust (CERBT) program, administered by CalPERS, to prefund the agency's Other Post-Employment Benefits (OPEB) obligations. Since entering the CERBT program on April 26, 2014, through October 31, 2026, BAWSCA has had total contributions of $1,275,731 and investment earnings of $671,198. The average annual rate of return over the past 12 years was 6.13%.

Per the latest roll-forward calculation, BAWSCA's unfunded OPEB liability as of June 30, 2026, was $1,568,848. Assuming the current amortization schedule remains the same, this liability is estimated to be paid off by 2036. Considering the current asset balance in the CERBT trust, BAWSCA's total OPEB liability has been 57.5% funded based on a discount rate of 5.5%, which is lower and more conservative than CERBT's expected long-term rate of return for Strategy 2 asset allocation at 6.4%.

Fiscal Impact:

BAWSCA's FY 2026-27 Operating Budget includes a CERBT contribution of $155,000, which represents 2.9% of the annual budget of $5,340,828.

Recommendation:

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

Discussion:

Like many other public agencies, BAWSCA prefunds its OPEB obligations to generate investment income from employer-controlled contributions to pay for future retiree benefits, reduce future employer cash flow requirements, and reduce OPEB liabilities reported on the agency's annual financial statements. To achieve these goals, BAWSCA established a CalPERS CERBT trust to prefund OPEB obligations in April 2014.

Following its practice of performing a full actuarial valuation for OPEB every year through 2025, BAWSCA transitioned to a biennial valuation schedule as permitted under GASB Statement No. 75. For the intervening years when a comprehensive valuation is not required, an interim OPEB liability roll-forward calculation is performed to meet accounting and auditing standards.

BAWSCA's OPEB Plan Funded Status

Per the latest roll-forward calculation, BAWSCA's unfunded OPEB liability as of June 30, 2026, was $1,568,848, which is estimated to be paid off by 2036. As of October 31, 2026, BAWSCA's total June 30, 2026 OPEB liability has been 57.5% funded based on a discount rate of 5.5%. The table below provides a summary of BAWSCA's CERBT account as of October 31, 2026.

CERBT Account Summary as of October 31, 2026	
Total Contributions (Initial contribution made on 4/26/2014)	$1,275,731
Total Disbursements	-
Total CERBT Expenses	($8,811)
Total Investment Earnings	$671,198
Total Assets	$1,938,118
Current Asset Allocation Strategy Selection	CERBT Strategy 2
CERBT 20-Year Expected Rate of Return	6.4%
BAWSCA's Discount Rate Used in OPEB Actuarial Valuation as of June 30, 2025	5.5%
BAWSCA Actual Cumulative Annualized Rate of Return* from Inception (4/26/2014) through 10/31/2026	6.13%
BAWSCA Net OPEB Liability as of 6/30/2026 (Estimated to Be Paid Off by 2036)	$1,568,848
Funded Status	57.5%

**Net of fees*

BAWSCA participates in CERBT's Strategy 2 asset allocation portfolio. Over the past 12 years (from inception to October 31, 2026), BAWSCA's average annual rate of return was 6.13%. Per the CERBT, the longer the investments are in the trust, the more they gradually align closer to their 20-year expected rate of return of 6.4% that was adopted by CalPERS in September 2026. According to CERBT's investment benchmarks, their long-term gross investment returns continue to outperform the public market and Local Agency Investment Fund (LAIF) where BAWSCA's fund was previously invested.

SFPUC's OPEB Plan Funded Status Update

Per the Board's request, staff have continued to monitor the SFPUC's level of funding, which is summarized as follows.

The SFPUC participates in the single employer defined benefit plan that is maintained by the City and County of San Francisco (San Francisco) and administered through the San Francisco Health Service System. San Francisco's funding has been based on "pay-as-you-go" plus a contribution to the Retiree Health Care Trust Fund (Trust Fund).

SFPUC Share of Net San Francisco Liability. Per San Francisco's latest OPEB actuarial valuation as of June 30, 2025 as provided in Attachment 2 (under separate cover), the total San Francisco net OPEB liability was $3.936 billion, which is estimated to be paid off by 2045. San Francisco's net OPEB liability is calculated by subtracting the Trust Fund balance of $1.485 billion from San Francisco's total liability of $5.421 billion. The SFPUC's proportionate share was 6.44% of San Francisco's net OPEB liability, or $253.341 million, that includes $158.915 million for the Water Enterprise and $17.625 million for Hetchy Water, based on a discount rate of 7.0%. For context, SFPUC's FY 2025-26 operating budget, which includes contributions to the Trust Fund and pay as you go benefits payments, was $2.157 billion.

SFPUC Share of Total Contributions. For FY 2025-26, SFPUC's proportionate share of the City's contribution to the Trust Fund was $20.487 million, which includes $12.851 million for the Water Enterprise and $1.425 million for Hetchy Water.

Per BAWSCA's auditors and legal counsel, the unfunded OPEB liability of the SFPUC is not a liability of Wholesale Customers. Through the established wholesale water rates, BAWSCA agencies pay the wholesale customers' share of SFPUC's OPEB benefits costs attributable to SFPUC's current and retired employees. BAWSCA agencies' share of the SFPUC's labor costs, including OPEB benefits, is calculated based on the terms specified in the WSA.

Attachments (Under Separate Cover):

1. Item 9D – Attachment 1: City and County of San Francisco OPEB Actuarial Valuation as of June 30, 2025

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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: **BAWSCA Board of Directors**

FROM: **Tom Smegal, CEO/General Manager**

DATE: **November 13, 2026**

SUBJECT: **Chief Executive Officer/General Manager's Letter**

Results of Wholesale Revenue Requirement (WRR) Review of FY 2023-24:

Pursuant to Section 7.06A of the Water Supply Agreement (WSA), BAWSCA conducted its review of SFPUC's calculation of the WRR and the changes in the Balancing Account for FY 2023-24. On June 1, 2026, BAWSCA and the SFPUC signed an initial agreement memorializing adjustments to the Balancing Account based on the issues that have been resolved by May 2026. On November 5, 2026, the parties signed a second agreement memorializing resolutions of the remaining issues associated with the FY 2023-24 WRR calculations. BAWSCA's WRR review resulted in adjustments to the benefit of the Wholesale Customers totaling $811,862, including interest. The net Balancing Account adjustment is $796,594, as a credit to the Wholesale Customers, inclusive of $15,268 in incorrectly classified expenses identified by SFPUC that resulted in additional charges to the Wholesale Customers.

In addition, since the 525 Golden Gate Reuse project will require appropriations over several years, the adjustments made in FY 2023-24 will also result in estimated additional savings of approximately $2 million over the course of subsequent WRR periods.

Also, as a result of BAWSCA questions about interest earnings on bond proceeds, SFPUC is undergoing a comprehensive review of all interest earnings and expenses reported on the L-3 schedules, the outcome of which could modestly impact the amount of existing resources to pay for Regional project costs.

SFPUC's Millbrae Operations Center Project Alternative – Update:

On October 29, 2026, the SFPUC provided a letter directed jointly to BAWSCA and the City of Millbrae that responded to BAWSCA's questions in a letter of September 4, 2026 regarding the 2026 Alternative. In addition, the SFPUC provided a document entitled "October 2026 Millbrae Operations Center Improvements Project Alternatives Analysis Summary Report" (Summary Report). The Summary Report discusses the alternatives studied since 2020 and provides additional details on how the project costs and schedules were developed.

BAWSCA is reviewing the documentation provided by the SFPUC. The SFPUC is hoping to schedule a meeting with BAWSCA and the City of Millbrae staff that would be held later this month to further discuss the Summary Report.

SFPUC's 2026 State of the Regional Water System Report – BAWSCA Comments and SFPUC Response

The SFPUC's 2026 State of the Regional Water System Report was provided to BAWSCA in draft form on August 27, 2026.

The 2026 State of the Regional Water System (SRWS) report conveys the state of the assets comprising the Regional Water System (RWS) since the previous 2024 SRWS, covering the period of fiscal years (FYs) 2024-25 and 2025-26 (July 2024 through June 2026). This duration is commonly referred to as the "reporting cycle". Preparation of the report is a contractual requirement of the 2025 Amended and Restated Water Supply Agreement (WSA).

BAWSCA completed its review of the Draft State of the Regional Water System Report (SRWS Report) and issued a comment letter on October 12, 2026. Overall, BAWSCA found that the 2026 SRWS Report continues to build upon prior versions. BAWSCA appreciated that with each successive SWRS Report, enhancements continue to effectively convey system health and operational status.

As a component of the October 12th letter, BAWSCA provided detailed comments. BAWSCA anticipates that the SFPUC will review the comments and provide a response along with the Final version of the 2026 SRWS Report by the close of November 2026.

Memorandum of Agreement with San Mateo County's Sustainability Department

On October 12, 2026, BAWSCA executed a Memorandum of Agreement with San Mateo County's Sustainability Department (Sustainability Department) to provide a one-time $5,000 in funding support toward their continued update and improvements of a toolkit that serves to support residents in identifying and practical water and energy efficiency improvements. BAWSCA and its member agencies' various water conservation programs, including but not limited to rebate opportunities, will be highlighted in the updated toolkit. Further, BAWSCA will provide links to the toolkit on its website as the toolkit will now be available as a web-based resource.

The Sustainability Department has made the "Check it Out" Home Energy and Water Efficiency Toolkits available to the public to check out at libraries in San Mateo County since 2018. The Sustainability Department is currently updating the tools, equipment, and informational materials in the toolkits to make them more accessible, user-friendly, and relevant for San Mateo County residents and community partners. Aside from simply providing support to residents in identifying practical water and energy efficiency improvements, the updated toolkits will alert residents to newly available resources and incentives and share information regarding how taking actions can reduce water and energy use, lower utility costs, and support local sustainability goals.

BAWSCA Presentation at the AWWA WaterSmart Innovations Conference and Exposition:

In October, Danielle McPherson, Senior Water Resources Specialist, presented at the AWWA WaterSmart Innovations Conference with Luke Wang of Hazen and Sawyer about the 2025 Regional Water Demand and Conservation Study (Demand Study). BAWSCA is among only a handful of agencies

that incorporate scenario analysis in its demand and conservation projections. The presentation also highlighted the drought analysis that was conducted for the first time as part of the 2025 Demand Study.

BAWSCA Participation in East Side Preparatory School Event:

Eastside College Preparatory School's (ECPS) in East Palo Alto is a private 6-year middle and high school dedicated to supporting first-generation students through college and into their careers. BAWSCA has an ongoing partnership with ECPS through its Career Pathways Program, having hosted three student interns in the summers of 2022, 2023, and 2025.

On October 16, 2026, BAWSCA's Senior Water Resources Engineer, Dr. Negin Ashoori, participated in (ECPS) Virtual Informational Interview Day. The event connected first-generation, college-bound high school seniors with professionals across various industries to discuss career paths and college preparation. During the event, Dr. Ashoori met with two seniors, offering advice on college readiness, career exploration, and networking skills. These conversations were designed to help students gain confidence in articulating their goals and to expose them to a wide range of professional possibilities.

Participation in this event continues to strengthen BAWSCA's community engagement and workforce development efforts while supporting local students in their pursuit of higher education and professional success.

BAWSCA Staff Completes ACWA JPIA Leadership Essentials for the Water Industry Program:

On November 4, 2026, BAWSCA's Senior Water Resources Engineer, Dr. Negin Ashoori, completed the ACWA JPIA Leadership Essentials for the Water Industry Program. ACWA JPIA runs this one-year program for senior leaders of its member agencies. It combines four in-person classroom sessions with monthly instructor-led webinars, for more than 40 hours of instruction. The curriculum moves through three levels of leadership: leading oneself, leading teams, and leading strategically. Participants also complete personal leadership assessments and a team project that runs most of the year and is presented at the final session. Dr. Ashoori's participation supports BAWSCA's continued investment in staff development and strengthens the agency's ability to lead regional efforts.

BAWSCA staff Tom Francis and Danielle McPherson completed the program in prior years.

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Board of Directors Policy Calendar Through May 2027

Meeting Date	Purpose	Issue or Topic
January 2027	D&A	Mid-Year Work Plan, Budget and General Reserve Review
	D&A	Proposed FY 2027-28 Bond Surcharges
	R&D	BAWSCA's Strategy 2050
	R&D	FY 2027-28 Work Plan and Budget Study Session
March 2027	R&D	Presentation of Preliminary FY 2027-28 Work Plan and Budget
	R&D	BAWSCA's Strategy 2050
	R	Review of Water Supply Forecast
May 2027	D&A	Consideration of Proposed FY2027-28 Work Plan and Operating Budget
	D&A	Consideration of Professional Services Agreements
July 2027	D&A	Review of CEO/General Manager Evaluation Procedure
	R&D	BAWSCA's Strategy 2050 & Water Management Charge Update

Key: R=Report, D = Discussion, S = Study Session, A = Action

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Bay Area Water Supply and Conservation Agency
and Regional Financing Authority

Meeting Schedule through December 2027

Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)	
Date	**Location**
Thursday – January 21, 2027	Burlingame Community Center – Sequoia A Room
Thursday – March 18, 2027	TBA
Thursday – May 20, 2027	TBA
Thursday – July 15, 2027	TBA
Thursday – September 16, 2027	TBA
Thursday – November 18, 2027	TBA

Schedule for RFA Board Meetings (Meeting time will be announced)	
Date	**Location**
Thursday – January 21, 2027	Burlingame Community Center – Sequoia A Room

Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)	
Date	**Location**
Wednesday – December 9, 2026	Burlingame Community Center – Sequoia B Room
Wednesday – February 10, 2027	Burlingame Community Center – Sequoia B Room
Wednesday – April 14, 2027	TBA
Wednesday – June 9, 2027	TBA
Wednesday – August 11, 2027	TBA
Wednesday – October 13, 2027	TBA
Wednesday – December 8, 2027	TBA