

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE
February 12, 2025 – 1:30 p.m.**

MINUTES

1. **Call to Order:** Committee Chair, Karen Hardy, called the meeting to order at 1:30pm. CEO/General Manager Tom Smegal called the roll. Six members (6) of the Committee were present at roll call. One member arrived after roll-call. A list of Committee members who were present (7), absent (2), and other attendees is attached.

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

2. **Comments by Committee Chair:** Committee Chair Hardy thanked staff and Committee members for the quick pivot to a different venue due to an unexpected need to switch from the regular meeting location. Because of technical obstacles, the meeting will not be livestreamed but will be recorded for posting on the BAWSCA website. There are no teleconference callers and therefore all public comments shall be made in-person and committee actions on the agenda items do not need a roll call vote.

3. **Consent Calendar:**

Director Vella made a motion, seconded by Director Pierce, that the Committee approve the Minutes of the December 11, 2024 Board Policy Committee meeting.

The motion passed unanimously.

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

4. **Public Comments:** There were no public comments on items not included in the agenda.

5. **Action Calendar:**

- A. **Results of Bi-Annual Staff-Level Salary Total Compensation Study:** CEO/General Manager Tom Smegal reported that BAWSCA conducts a staff-level compensation study every 2 years to align compensation ranges that are competitive with comparable positions in the Bay Area market. The survey was conducted and completed by Koff & Associates in December 2024. Comparator agencies include Alameda County Water District, City of Hayward, City of Palo Alto, Contra Costa Water District, East Bay Municipal Utility District, SFPUC, and Santa Clara Valley Water District.

The results indicate that the current top-step compensation for BAWSCA staff-level positions, except for one, are in line with the market median. The position title of Sr. Water Resources Specialist/Engineer is below the market median by 1.8%.

Neither of the staff that are in that position are at the top-step. An adjustment to meet the market median will not have an impact on the adopted FY 2024-25 operating budget, or on the salaries of the staff individuals. The adjustment will move the top-step up to the market median providing the opportunity to get it where it needs to be as the staffers grow in responsibilities and experience.

The recommendation is for the Committee to recommend that the Board approve the adjustment to the top-step compensation for that position title by 1.8% to bring it to market median.

Director Zigterman asked why the target is the median. He stated that he would hope for BAWSCA to compensate staff above median instead of up to median. He noted that the median may be suitable for larger public agencies, but for a much smaller agency like BAWSCA, with staff doing a broad scope of work, the positions do not line up exactly to the comparator agencies, as noted by CEO Smegal. Mr. Zigterman would be interested in what others think about the consideration of going 5% above the targeted median, not to adjust individuals, but rather to give the CEO the latitude to work staff up to that level. His interest is to maintain staff with adequate compensation.

CEO/General Manager Smegal noted that there are some challenges with the cross-agency comparisons in which BAWSCA's positions are not exactly the same as the comparator agencies in the Bay Area. He noted that the survey recommendation provides a plus/minus 5% of median.

Director Hardy concurred with Director Zigterman's interest in maintaining BAWSCA's staff with adequate compensation. This is good feedback for CEO Smegal to consider in developing the FY 2025-26 budget for the Board's consideration. She noted that the previous compensation survey completed in FY 2022-23 resulted in the adjustment of the top-step salaries for all positions as they were identified as below the market median.

Director Zigterman supports the recommendation but urges the consideration of higher than median in the future.

Director Chambers noted that the adjustment is on the top-step of the salary range and that staff is not at top step. He also noted that working with medians is better than working with means. He supports the recommendation as presented, and if, in the future, a position reaches near the top step, the CEO can adjust accordingly for the Board's consideration.

Director Chambers made a motion, seconded by Director Zigterman, that the Committee recommend that the Board approve the adjustment to the top step compensation for the position of Sr. Water Resources/Engineer by +1.8%.

Director Schneider commented that in terms of adjusting the top-step above the median, it would have to be an item that would need to come back for consideration. She discussed this item with the City of Millbrae which supports the recommended 1.8% adjustment.

There were no further comments from members of the Committee.

The motion passed unanimously.

6. Reports and Discussion:

- A. Preliminary Fiscal Year 2025-26 Work Plan and Results to be Achieved: Mr. Smegal highlighted the key items in the preliminary work plan and results to be achieved. He

noted that the work plan continues to align with BAWSCA's goal of ensuring a reliable supply of high-quality water at a fair price.

Table 1 in the memo presents the details of the work plan, and Table 2 lists the activities that are not included.

The work plan addresses the critical issues that are identified by the challenges between now and 2065 that have been presented to the BPC and the Board in previous meetings. Two major activities that will continue into the next fiscal year are the previously approved multi-year projects; Strategy 2050 and the 2025 Demand Projections.

A new item in the work plan is the evaluation of the Regional Financing Authority's (RFA) ability and constraints to facilitate future financing efforts for projects that are key to the Regional Water System's reliability.

An expanded item in the work plan is the implementation of the WSA amendment on the Minimum Purchase Requirements and the new Tier 2 Plan with the anticipated unanimous adoption by the member agencies before the end of FY2024-25.

Table 4 provides the comments received from the Board at the January 16th budget planning session, and an explanation of how those efforts are incorporated in the work plan.

As requested last year, and as good practice, a staff resource analysis and estimated staff hours and FTE is incorporated in the development of the work plan to understand how the staff's time is spent.

Mr. Smegal presented the major tasks that fall under each element of BAWSCA's goal: Reliability, High-Quality, Fair Price. The activities are efforts that are not new but are ongoing to achieve critical results.

The task of ensuring facility reliability is where BAWSCA monitors SFPUC's Water System Improvement Program (WSIP), 10-Year CIP, Asset Management and Emergency Response. BAWSCA will engage with the SFPUC as they begin with the preparation of their 2026 State of the Regional Water System Report. BAWSCA evaluated and provided comments to the SFPUC in their preparation of the 2024 State of the Regional Water System Report.

Implementing the current Strategy to address long-term water supply solutions will include the noted new work plan item of initiating a scoping evaluation of the authority available to the Regional Financing Authority (RFA) to facilitate financing options on projects critical to the regional water system's reliability.

The continued development of Strategy 2050 is included in the workplan but will be budgeted separately as it is funded by the Water Management Charge (WMC). The use of the WMC to fund Strategy 2050 was approved by the Board at its July 18, 2024 meeting. The operating budget that will be presented to the Board will not

include the cost of Strategy 2050, but the work plan will include the staff time associated with the effort.

Updating the regional water demand projections will continue in FY 2025-26. This effort is critical for Strategy 2050, the member agencies' preparation of their Urban Water Management Plans, and other regional planning efforts. It is closely coordinated with San Francisco, and it is targeted to be completed at the end of the FY 2025-26. The estimated cost for this effort in FY 2025-26 is \$255K. Mr. Smegal noted that this cost is consistent with what was presented to the Board in FY 2024-25 as part of the effort's multi-year phases. It represents the cost that was approved by the Board for the project and does not represent an increase in cost.

Near-term water supply solutions continue with the ongoing efforts and have no changes.

Protecting the member agencies' water supply and financial interest in the administration of the Water Supply Agreement (WSA) includes ongoing activities that will continue as well as expand the efforts in finalizing the New Tier 2 Plan following its adoption, and engaging with the SFPUC and BAWSCA member agencies on the implementation of the WSA Amendment that alters the calculation and assessment of Minimum Purchase Obligations.

Activities associated with the Bay Delta Plan and FERC Licensing process, pursuit of grant opportunities, tracking water supply and conservation activities, and supporting member agencies on water quality issues will continue.

Matters that member agencies have delegated to BAWSCA under the WSA include protecting the financial interests of the member agencies and administering the Bonds. Those activities are ongoing and have no changes.

Critical to the work plan is maintaining BAWSCA's effectiveness. This includes maintaining community allies and contacts with Environmental interest groups and managing activities of the agency professionally and efficiently. Under the latter is the addition of a new task to obtain and manage a selected consultant to provide additional Human Resource services.

This effort will entail looking into agencies similar to BAWSCA to identify assistive management of human resources available by contract. BAWSCA is hoping to get insights from member agencies as well as from Hanson Bridgett, that has relationships with small-staffed organizations, to learn about services that can be provided in support of BAWSCA. This effort adds to the agency's resiliency planning initiated a couple of years ago. The hope is to have more than one person that is responsible and able to do the required task at any circumstance. Mr. Smegal noted that while he does not anticipate this to be a huge effort in the fiscal year, it is critical to the agency and is a change that he wanted to bring to the Board's attention.

Mr. Smegal presented a graph that shows each staff member's FTE. He was pleased that the numbers show improvement from last year's data and noted that he

will closely monitor the staff load as he continues to interact with staff on a daily basis.

The committee was presented a table that shows the distribution of staff hours between the tasks that fall under reliability, high-quality, fair price and agency effectiveness. There are no significant changes to how staff hours were distributed from last year.

Mr. Smegal welcomes feedback from the Committee on additional work tasks that it sees necessary or are less of a priority to further inform the Preliminary FY 2025-26 work plan and Operating budget that will be presented to the Board in March. Considerations for funding the Operating Budget will also be presented at the same time.

He noted that the primary source of funding for BAWSCA's budget is the assessments on member agencies, as provided in the enabling legislation (AB 2058). A 9% assessment increase was approved by the Board to fund the FY 2024-25 Operating Budget of \$5,614,518. The total assessment for FY 2024-25 is \$5,274,398.

A proposed FY 2025-26 Work Plan and Operating Budget will be presented to the BPC at its April meeting for further discussion and recommendation to the Board at its meeting in May for its consideration.

Discussions ensued from questions and comments received from members of the Committee.

Director Schneider asked that in light of how local government, as well as BAWSCA, may be impacted by what's happening at the federal level, how will BAWSCA's workplan and budget be affected with respect to water reuse projects, which are mostly supported by federal funding. She was also curious about BAWSCA's stakes in its participation in C/CAG's one watershed pilot program as it may also be at risk of losing funding.

Mr. Francis stated that while there is a budget allocation for planning efforts on regional potable reuse projects, BAWSCA and collaborating agencies, including the Bay Area Regional Reliability partners, do not anticipate the need to apply for any grants in the coming fiscal year or the next few years.

As for the One Watershed pilot program, Mr. Francis noted that BAWSCA is part of C/CAG's regional partnership in which BAWSCA provides staffing support to implement a state grant award. There is no risk of losing state grant support expected. The state grant staff is pleased with the work progress that C/CAG and the regional partners have done on the stormwater program. He added that BAWSCA will be meeting with the resource management climate protection committee of C/CAG on February 19th.

Director Schneider expressed her support for the preliminary workplan as well as the effort to evaluate the integration of Human Resource professional services into

BAWSCA. She encouraged BAWSCA staff to reach out to Assemblymember Diane Papan who is the Chair of Assembly Committee on Water, Parks and Wildlife.

Mr. Smegal was pleased to report that he has recently met with Assemblymember Papan on water supply matters that could benefit from her backing as she is a strong supporter of BAWSCA as is her family.

Director Zigterman asked how BAWSCA intends to close the gap between the projected number of staff hours with the preliminary workplan and the existing staff, which is up to 150% FTE.

Mr. Smegal appreciated the question and noted that the two highest FTEs are himself and Tom Francis. They have overlapping responsibilities which they carefully manage in order to address workload. For instance both may be tasked to attend meetings and workshops of the SFPUC, the State Water Board, and other organizations, and careful planning for coverage can provide some relief.

He admits that while he is just a couple of months into the position, he hopes to come back to the Board in a year with a different number that is more sustainable. He recognizes the big burden at the moment. The workload is closely managed with the staff and prioritized carefully.

Director Zigterman opined with the caution against ramping up the workload without recognition of the impact it has on people's lives. The workplan will either be met or not. He questioned whether the current situation is setting the agency up for either burning out staff or not adequately addressing the workplan. He noted that while it is recognized that BAWSCA needs to complete the work plan and the scope accomplished, he questions at what cost.

Director Zigterman suggested considering additional staff. If this is a short-term hiatus in the workload, perhaps it will be a 2-year fixed term instead of a permanent FTE. He does not question the workload efforts, but it seems that it is inadequately addressed with staff resources and has a high potential for staff burn out. It would be appropriate to avoid that from the start. The BPC is a policy group, and he suggests reducing the workplan or getting staff support with outside help to relieve workload. Long term staff preservation is more valuable than short-term burnout to accomplish the workload.

Mr. Smegal explained that the workplan does include 2 major efforts that are out of the norm. The New Tier 2 and WSA amendment has extended beyond the expected timeline which has added to the workload planned for FY2025-26. While there are consultants assigned to the projects, he recognizes that staff time is required to manage the consultants. He will continue to monitor the workload and evaluate additional staff.

Director Hardy understands Director Zigterman's sentiments and pointed out that the estimated staff hours according to the workplan development is at 10.7 FTEs, but BAWSCA's approved staff level is 9 FTEs. She inquired about the consideration of an intern.

Mr. Smegal was pleased to report that BAWSCA's internship program will be implemented in Summer 2025.

Director Pierce stated that last year's discussions on the workload and staff resources were very similar and the workplan and operating budget that was proposed to the Board for consideration included a few options to address the issue. Those options included:

- phasing work efforts so that some of the tasks were delayed to make time for the critical ones;
- a plan to bring a sub-contractor with the expertise to provide high-level support on a short-term basis; and,
- an option to increase staff by 1 FTE at the ready.

If appropriate for the FY 2025-26 workplan, those options may be considered by the CEO and recommended to the Board.

Lastly, Director Pierce noted that a sentence in the staff memo was well-phrased in emphasizing that the activities of the short- mid- and long-term challenges listed in Table 5 will take the form of agreements, legislation, and other legally enforceable work products. It is an effective way to convey to the Board the amount of work involved to address the future challenges.

Director Chambers commented that he is pleased with the effort to evaluate professional services for human resources as it is an important task for the agency to do appropriately because it can be expensive if not done correctly.

Director Schneider recognizes that while it may not be a function of BAWSCA, she asked if there could be a potential to start a program for source reduction of PFAS. Cleaning plastic out of the ocean is in the future and it will come down as a cost to all cities. In the spirit of taking a step further, could there be an opportunity in the water conservation program to talk about how to reduce PFAS or how they are entering in the water supply?

Mr. Smegal noted that based on BAWCA's Strategy 2050 survey of member agencies, PFAS, in general, is an area that member agencies want BAWSCA's help with. It is something that is of concern with recycled water projects and stormwater where PFAS could get in the supply. BAWSCA is aware of the issue, and while BAWSCA may not be able to address it directly, it is happy to coordinate some level of communication where appropriate.

Ms. Ashoori added that the topic is also discussed in BAWSCA's and SFPUC's Joint Water Quality Committee Quarterly meeting.

Director Schneider urged education. It could be just a few little things to inform the public, or as easy as saying "don't flush your meds and x, y, z" to reduce PFAS' levels while we wait for regulation, as regulations can take a long time.

Director Hardy asked how the gap between the operating budget and the total assessments was going to be handled in FY 2025-26.

Mr. Smegal stated that the budgeting process is still ongoing and the operating budget for FY 2025-26 is yet to be determined. Last year, the Board approved a transfer from the General Reserve to fund the balance of the operating budget that brought BAWSCA's level of reserve that was appropriate and within the policy guideline of 20% - 35% of the operating budget.

The current general reserve balance is at 24% of the operating budget. The estimated operating budget will be determined in the coming months.

Director Pierce stated that there are typically unspent funds from the current year that are not finalized until after the close of the fiscal year, and that are deposited in the general reserve. Additionally, there have been times when the Board has approved to fund specific short-term efforts from the reserve.

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

- B. BAWSCA's Pension Liability Alternative Funding Options: Finance Manager, Christina Tang, presented the item in response to the Board's direction to staff at the November 2024 Board meeting, to analyze options available to pay off unfunded pension liability faster than the current schedule.

Ms. Tang reported that based on CalPERS amortization schedule, BAWSCA's projected Unfunded Accrued Liability (UAL) as of June 30, 2025 is \$1,264,815. The UAL represents the liability for service that has been earned but not funded. CalPERS minimum required employer contribution towards paying down the UAL for FY 2025-26 is \$106,946.

BAWSCA's UAL is estimated to be paid off by 2045 based on a discount rate of 6.8%. Ms. Tang noted that the UAL is an actuarial value that fluctuates over time based on a variety of factors including market conditions, CalPERS actuarial assumptions, and actual investment performance.

In light of the rise and volatility of CalPERS pension costs, many agencies have voluntarily chosen to set aside or contribute additional funding to address their long-term pension liabilities.

Ms. Tang presented the 4 options available for BAWSCA to pay off the UAL faster than the current schedule.

Option 1: Additional Discretionary Payments (ADPs) to CalPERS are allowed at any time and at any amount to reduce the UAL. Making an ADP during a fiscal year does not require an ADP be made in any future year.

Option 2: Re-amortize Annual UAL Contributions to CalPERS. If BAWSCA would like the June 30, 2025 UAL to be paid off in less than 20 years or before 2045, its minimum annual required UAL payment will increase. Ms. Tang noted that because the UAL fluctuates, the post re-amortization minimum required annual UAL payment is expected to change from year to year.

Option 3: Establish an Irrevocable Prefunding Trust to Offset Future Pension Liability. There are various pension prefunding trust programs available to allow employers setting aside funds to prefund pension costs. The funds set aside in the trust and the accumulated interest earnings serve as contingency funds available to mitigate the volatility of an agency's long-term pension contribution needs. Funds accumulated in the trust do not directly reduce the UAL or affect CalPERS' estimated UAL payoff schedule presented in its annual actuarial valuation report, unless the funds in the pension trust are used to pay down the UAL. This option is appropriate if the agency expects to make significantly higher investment return in the trust than CalPERS. Given CalPERS' current expected 6.8% return and the size of BAWSCA's UAL, this option is not cost effective at this time.

Option 4: Pension Obligation Bonds (POBs). POBs are long-term debt issued to prepay all or a portion of UAL. These bonds are typically sold at taxable rates, and when taxable rates are significantly lower than the interest rate used in the UAL amortization. With the rise in the interest rates following 2021, and given BAWSCA's UAL size, this option is not cost effective for BAWSCA at this time.

Ms. Tang presented Table 1 that shows the estimated present value savings based on the 3 alternative amortization terms under Option 1 and Option 2, compared against the current CalPERS minimum funding approach.

Under the current approach, CalPERS amortized the UAL payment by 20 years by default. CalPERS' required total contribution from BAWSCA in FY2025-26 is 286,468 which is the sum of the estimated normal cost of 179,522 that represents the value of benefits earned by employees during the current year, and the minimum UAL payment of about 106,946.

Ms. Tang noted that BAWSCA is required to pay the normal cost of \$179,522 in full each year, so no matter what amortization term is selected, the normal cost each year remains the same. The estimated savings are basically from the interest savings from the UAL.

Ms. Tang noted that the present value savings from Option 1 and Option 2 are the same. This is because the scenarios used under the ADP method assume consistent annual ADP contributions following the re-amortization schedule of Option 2.

For example, if BAWSCA chooses to pay off the 6/30/2025 UAL by 2040 with Option 2, the estimated annual UAL payment would be \$132,684 for 15 years, plus the required payment towards normal cost. The overall present value savings are estimated at \$13K.

If BAWSCA does not want to commit to an increased UAL payment every year and chooses Option 1; assuming the annual ADP payment is always equal to what the annual UAL payment would be under Option 2 minus the minimum UAL payment based on the current 20-year amortization schedule for the next 15 years, the results would be the same.

Ms. Tang noted that UAL fluctuates over time; therefore, there will always be a UAL amount reported in CalPERS actuarial valuation report because that amount, whether negative or positive, is based on how CalPERS' actual investment performance differs from the actuarial assumptions in the future, among other factors. On the other hand, if BAWSCA prefers both the flexibility provided by the ADP method and a targeted earlier UAL payoff, BAWSCA can work with CalPERS actuary to recalculate the ADP amount necessary based on a decreasing amortization schedule.

The next steps are to get feedback from the BPC on the options presented, and guidance on how the selected option should be incorporated in the preparation of the FY 2025-26 operating budget.

In discussing the item with the City of Millbrae, Director Shneider expressed her support for Options 1 and 3 and appreciated the great argument for Option 2. She noted that the City of Millbrae makes ADPs which has presented savings. She would be interested in knowing if BAWSCA can use excess reserves to put into the trust fund, what the cost is for setting up a trust fund, and if the costs take away any advantages of having a trust fund?

Director Hardy supported Option 1 for its flexibility and the difference it can make in the long-term.

Director Zigterman was interested in legal's perspective about BAWSCA's current status and the options being presented, and, from a financial perspective, what are the concerns about the current schedule of a 2045 payoff. Is a 20-year period typical for agencies, and is there a need to shoot for an earlier payoff?

Legal Counsel Allison Schutte stated that all the options are valid, however given the size of BAWSCA's liability, Options 3 and 4 do not make sense under the circumstances.

Ms. Tang stated that based on current accounting guidelines, there is no requirement for any agency to pay off unfunded pension liability at a certain time. Agencies are only required to show unfunded pension liability in its financial statements.

Mr. Smegal added that one factor to keep in mind with Option 1 is that CalPERS will recalculate the 20-year amortization when additional funds are paid. The recalculation will result in smaller minimum to pay in future years, unless they are specifically informed that the objective is to shorten the time period. Chistina will work with CalPERS if the Board chooses to do Option 1.

Director Chambers stated his preference for Option 1, however, he would not want to commit to it because agencies are trying to keep water prices low. To change the payment schedule to 15 years from 20 years is about a half a percent increase in member agencies' assessment. Budgeting for that up-front would have an impact. Since there is no real time frame to implement Option 1, he recommended waiting to see what the unspent funds are at the end of FY2024-25 and consider putting a

portion of it towards an ADP. He noted that having some unfunded pension liability is not bad because depending on the market, it is better to have the debt instead of having public funds tied up where it does not need to be.

Director Schneider noted that when the item is presented for Board consideration, she recommended to refresh the Board of what a dollar today means to a dollar in the future to provide an understanding of why paying early can be a benefit. Paying down the unfunded pension liability can provide considerable savings, but she agrees that timing is critical.

In response to Director Ragsdale's question to Ms. Tang about her preference between Options 1 and 2, Ms. Tang stated that she thinks Option 1 is the most appropriate for the agency.

Director Ragsdale stated that with her legal background, her preference would be Option 1 because of the flexibility it provides the agency. She defers to those with economic and financial backgrounds.

Director Vella stated that the issue revolves around the cost of money. 6.8% is high but it is unknown how long it will continue. He noted that additional payments made to reduce the principal also means reducing liquidity and; therefore, the opportunity for future investments. He emphasized that money in your hand is valuable. He prefers to do a periodic, perhaps an annual review, and make additional payments when funds are available to pay towards the 6.8%. If the interest rates go down in the future, it may be more practical to hold on to liquidity for other investments.

Director Schneider referenced the differences in interests between a savings account at .02%, a CD at 3%, and a mortgage at 5%, and recommended looking at historical data. While there are moving parts to be considered, there are also various factors to consider such as CalPERS' investment trends and limitations on investment opportunities. Seeing historical data may be helpful.

Mr. Smegal stated that the Board will be provided with the return on investment BAWSCA is getting on the general reserve funds, which is lower than 6.8%, since the trade-off is between keeping funds in the reserve or making a payment towards UAL.

Director Vella commented that the past may be good but is not a guarantee for the future.

Director Hardy added that historical data can provide factors that could be helpful.

Director Chambers noted that when the FY 2024-25 budget was approved with a 9% increase, the general reserve balance to operating budget ratio was 21%, which was just above the minimum guideline. The general reserve is now at 24% because of the unspent funds transferred from FY 2023-24. Unspent funds expected from FY 2024-25 can be considered for making additional payments to the unfunded pension liability.

In closing the discussion, Ms. Tang noted that the savings presented in Table 1 are present value savings which incorporates future dollar value. Additionally, they were calculated using an estimated rate of return of 4.5% which is close to the current 10-year Treasury bonds interest rate.

7. CEO Reports:

- A. Water Supply and Demand Update: Water Resource Manager, Tom Francis, reported that State and Federal reservoirs are in good storage conditions for the current water year, which is from October 2024 – September 2025. The Regional Water System's total system storage is at 86% of maximum storage. Precipitation Upcountry and in the Bay Area have been good in general and is already more than half of the median monthly total for the month of February as of the date of this meeting. Hetch Hetchy precipitation and snowpack are tracking near the historic median. The SFPUC sent its wholesale customers its initial water supply estimate for the year. No water supply shortfalls are currently indicated. The final water supply estimate will be issued in April.
- B. Bay-Delta Plan and FERC Update: Mr. Francis reported that the State Water Resources Control Board held its final of five workshops in January. The workshops, which included SWRCB panels and a panel of representatives from various interested parties, focused on water quality requirements under development for Phase 2 of the Bay Delta Plan. Phase 2 covers the tributaries of the Sacramento River. Phase 1 of the Bay Delta Plan covers tributaries of the San Joaquin River, which include the Tuolumne River. BAWSCA and the SFPUC closely monitored the workshops because it is indicative of how SWRCB will address possible changes to the water quality requirements stipulated for the Phase 1 tributaries. A revised schedule that details the timing of the adoption of Phase 2 of the Bay Delta Plan will be released following the review and consideration of written and oral comments received.

The discussion that took place at the 5 workshops indicated that additional public input was needed to better understand the staff's approach to the regulations needed to implement Phase 1. That input would be collected at work group meetings, held via video conferencing, where SWRCB staff would engage with interested members of the public. Eleven (11) work group meetings were scheduled between January through early March. The work group meetings allow for in-depth technical discussions to bridge the understanding gap surrounding the proposed regulations. The work group meetings will be attended by SFPUC staff who will keep BAWSCA updated.

When possible, Mr. Francis will attend the work group meetings, particularly those that include a discussion of how the State would measure and quantify the success of the Healthy Rivers and Landscapes program over time. SWRCB's goal with the work group meetings is to listen to the conversation and to develop a proposed regulatory approach that all parties can support.

Aside from the work group meetings, there will also be other discussions taking place between the SWRCB, the SFPUC and other engaged parties which BAWSCA will closely track. BAWSCA anticipates that more definitive information regarding possible changes to the Phase 1 regulatory approach will not be available until late Spring 2025.

Mr. Smegal put emphasis on the process and how long it can potentially take to reach a resolution.

Director Hardy noted the difficulty in finding the methods to measure the success of the a Healthy River and Landscape Program (i.e., Voluntary Agreement) for the Tuolumne

River, and in particular how elements of it replace the as-adopted approach which relies solely on unimpaired flow releases.

Director Chambers agreed with the difficulty, particularly when there are so many externalities and other factors involved. Voluntary Agreements increases the degrees of freedom and there are various ways to help the fish, whereas the SWRCB only addresses flow requirement because that is what they can control. He recalled that when Phase 1 regulations were initially in development by the SWRCB, their initial regulatory proposal called for leaving 55% of the unimpaired flow in the Tuolumne River.

Director Hardy was pleased that there are some pushback and further discussion because while it is easy to measure the actual flow, the outcomes and externalities are difficult to base on anything.

- C. **New Tier 2 Plan Update:** Mr. Smegal reported that BAWSCA and the SFPUC are working diligently on the Tier 2 Plan adoption packet development. BAWSCA provided member agencies and the SFPUC with a redlined WSA for review. BAWSCA and legal counsel worked closely with SFPUC staff and its attorneys on the WSA language and are waiting for SFPUC's response to the redlined version.

Resolutions for the WSA amendment and the new Tier 2 plan will be provided to the member agencies along with a staff report template and the redlined WSA for each agency's use in their adoption process. The SFPUC staff currently anticipates bringing the WSA amendments to the Commission for adoption in April. The wholesale customers will most likely begin their adoption following SFPUC's action. The hope is to reach unanimous adoption by the agencies by the end of FY 2024-25.

Director Scheider stated that cities and districts are planning their budget in March and April and asked if member agencies should allocate for an anticipated cost in their budget preparation.

Mr. Smegal stated that the estimated cost associated with the reduction in minimum purchase requirements under the WSA amendment is very small. He also noted that member agencies received the SFPUC's preliminary water rate estimate with a range of 1% - 6%. An update will be provided at SFPUC's annual meeting with BAWSCA and the wholesale customers on February 20th and a final number will be provided in May. Member agencies should consider SFPUC's range in their budget development process.

Director Hardy hopes that the adoption process among the 26 agencies happen by the end of FY 2024-25 and before the next drought.

Director Ragsdale stated that in the presentation to the governing bodies, it is important to emphasize the need for a unanimous adoption across all agencies, as well as the fact that the lead negotiators of each agency are in agreement, so that it is not re-thought.

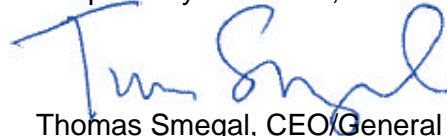
Mr. Smegal added that BAWSCA staff is at the ready to support member agencies in their adoption process as needed.

Director Schneider advised the consideration of new members in various governing bodies as staff reports are prepared to include information that are comprehensible.

8. **Closed Session:** Committee Chair Hardy reported that Closed Session is removed from the agenda.
9. **Report from Closed Session:** N/A.

10. **Comments by Committee Members:** For the sake of public education, Director Schneider asked if there are background documents on the Bond Surcharge that shows the progress it has made given that it is close to being paid off. Her long-term question would be if there will be a rate-reduction, which the public will be curious about.
11. **Adjournment:** The meeting was adjourned at 3:20pm. The next meeting is April 9, 2025 in the regularly scheduled location of Burlingame Community Center, Sequoia Room.

Respectfully submitted,



Thomas Smegal, CEO/General Manager

TS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting Attendance Roster

Agency	Director	Feb. 12, 2025	Dec. 11, 2024	Oct. 9, 2024	Aug. 14, 2024	Jun. 12, 2024	Apr. 10 2024
Santa Clara	Hardy, Karen (C)	✓	✓	✓	MEETING CANCELLED	✓	✓
Hillsborough	Ragsdale, Leslie (VC)	✓	✓	✓		✓	✓
Westborough	Chambers, Tom	✓	✓	✓		✓	✓
CalWater	Duncan, Darin		✓	✓		✓	✓
Redwood City	Pierce, Barbara	✓	✓	☎		✓	☎
Millbrae	Schneider, Ann	✓	☎	✓		✓	✓
Burlingame	Stevenson, Peter		n/a	n/a		n/a	n/a
MPWD	Vella, Lou	✓	✓	✓		☎	✓
Stanford	Zigterman, Tom	✓	✓			✓	✓

✓: present

☎ : Teleconference

February 12, 2025 Meeting Attendance (*In-Person*)

BAWSCA Staff:

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

Public Attendees:

Alison Kastama SFPUC