



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

on April 9, 2025 at 1:30PM

due to a different location

Foster City Community Building – Wind Room
1000 E. Hillsdale Blvd., Foster City, CA

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

See next page for Agenda

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BOARD POLICY COMMITTEE

April 9, 2025
1:30 p.m.

**SPECIAL MEETING
Due to Different Location:**

Foster City Community Building – Wind Room,
1000 E. Hillsdale Blvd. Foster City

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(One Member of the Committee will participate in this meeting by Teleconference. Location shall be: 31 Spring St. Mosta Malta EU. When any member of the board participates by teleconference, all votes taken at this meeting will be by roll call vote.)

REVISED AGENDA

<u>Agenda Item</u>	<u>Presenter</u>	<u>Page#</u>
1. <u>Call To Order, and Roll Call</u> Roster of Committee Members (<i>Attachment</i>)	(Hardy)	<i>Pg 5</i>
2. <u>Comments by Chair</u>	(Hardy)	
3. <u>Consent Calendar</u> A. Approval of Minutes from the February 12, 2025 meeting (<i>Attachment</i>)	(Hardy)	<i>Pg 7</i>
4. <u>Public Comment</u> <i>Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.</i>	(Hardy)	
5. <u>Action Item</u> A. Proposed Fiscal Year 2025-26 Work Plan, Results to be Achieved, and Operating Budget (<i>Attachment</i>) <u>Issue:</u> What critical results must be achieved in FY 2025-26 to accomplish BAWSCA’s goals and water reliability objectives? <u>Information to Committee:</u> Memorandum presenting Proposed Fiscal Year 2025-26 Work Plan, Results to be Achieved, and Operating Budget. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the: 1. Proposed Fiscal Year 2025-26 Work Plan and Results to be Achieved; 2. Proposed Operating Budget of \$5,547,732; and 3. Recommended funding plan of Option 2a or 2b.	(Smegal)	<i>Pg 23</i>

- B. Approval and Adoption of BAWSCA Pay Schedules for FY 2025-26 **(Smegal)** Pg 57
(Attachment)
Issue: What is required of BAWSCA, as a participating agency in the California Public Employees' Retirement System (CalPERS), to comply with California Code Regulations (CCR) Title 2 § 570.5?
Information to Committee: Memorandum and oral report.
Committee Action Requested: That the Committee recommend Board approval of the proposed action.

- C. Second Amendment to Hanson Bridgett Professional Services Contract **(Smegal)** Pg 61
(Attachment)
Issue: What additional legal resources are needed to achieve the results in FY 2024-25?
Information to Committee: Memorandum and oral report.
Committee Action Requested: That the Committee recommend Board approval of the proposed action.

6. Report and Discussion

- A. BAWSCA's Long-Term Reliable Water Supply Strategy 2050 - Risk Assessment and Scenario Planning (Attachment) **(Ashoori)** Pg 65
Issue: What is the approach to and goal of the Board Planning Session in May?
Information to Committee: Memorandum and oral report.
Committee Action Requested: Comments and feedback.

7. CEO Report

- A. Water Supply Conditions **(Smegal)**
B. Water Supply Amendment/Tier 2 Drought Plan Update
C. CEO/General Manager's Letter (Attachment) Pg 67
D. Board Policy Committee Calendar (Attachment) Pg 69
E. Correspondence Packet ([Under Separate Cover](#))

8. Closed Session

- 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.** **(Schutte)**
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)**

9. Report from Closed Session

(Schutte)

10. Comments by Committee Members

(Hardy)

11. Adjournment to the Next Meeting

(Hardy)

NOTE DIFFERENT LOCATION for June 11, 2025 at 1:30pm
Foster City Community Building – Wind Room, 1000 E. Hillsdale Blvd. Foster City.

Accessibility for Individuals with Disabilities

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

2025 Committee Roster:

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

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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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Proposed Fiscal Year 2025-26 Work Plan, Results to be Achieved and Operating Budget**

Summary:

This memorandum presents the Proposed Fiscal Year 2025-26 Work Plan, Results to be Achieved and Operating Budget. Comments received from the Board at the January 16, 2025 and March 20th meetings have been reviewed, considered and addressed.

The proposed Work Plan remains aligned with BAWSCA’s legislated authority and its three goal segments: a reliable supply of high-quality water at a fair price. Proposed work efforts to be undertaken in FY 2025-26 include the continued development of BAWSCA’s Long Term Reliable Water Supply Strategy 2050 (Strategy 2050). In addition, BAWSCA will complete the development of updated regional water demand projections.

A broad listing of the work envisioned in the proposed work plan is provided in the Discussions section of this memorandum.

Recommendation:

That the Board Policy Committee recommend Board approval of the:

- 1. Proposed Fiscal Year 2025-26 Work Plan and Results to be Achieved;**
- 2. Proposed Operating Budget of \$5,547,732; and**
- 3. Recommended funding plan of Option 2.a or 2.b**

Discussion:

Proposed Work Plan:

Next year’s Work Plan addresses all of the anticipated issues and results to be achieved discussed with the Board at its January 16th and March 20th, 2025 meetings and with the Board Policy Committee at its February 12, 2025 meeting.

The Proposed FY 2025-26 Work Plan includes the following major efforts:

- Overseeing SFPUC’s WSIP, 10-Year Capital Plan Program (Capital Plan), Regional Water System (RWS) Asset Management Program, and Emergency Response.
- Implementing BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy), including the following actions:
 - Continue the development of Strategy 2050;
 - Continue the development of updated regional water demand projections;
 - Participate in the Bay Area Regional Reliability Partnership (BARR);
 - Participate in PureWater Peninsula potable reuse project planning; and
 - Facilitate development of other local water supply options by members.
 - Conduct an initial scoping evaluation of the Regional Financing Authority’s (RFA’s) authority and constraints. Such efforts could include reviewing materials created at the time of the RFA’s formation and preliminary discussions with BAWSCA’s relevant engaged consultants. Once the scope of viable RFA financing options is

confirmed, additional planning steps would take place in future workplans.

- Supporting near term water supply solutions for members including:
 - Represent members' interests in discussions on development of, and compliance with, California's "Making Water Conservation a California Way of Life" requirements as appropriate;
 - Provide regional coordination to support Advanced Metering Infrastructure (AMI) implementation and data management; and
 - Implement BAWSCA's regional core and subscription conservation programs to support members and their customers.
- Taking actions to protect members' water supply and financial interests in administration of the WSA including the following:
 - Monitor SFPUC's implementation of its Alternative Water Supply (AWS) Plan, taking into consideration water supply affordability matters, and engaging as appropriate;
 - Monitor SFPUC's unfunded pension and OPEB liabilities;
 - Protect members' water supply and financial interests in the SFPUC's required 2028 decisions;
 - Ensure correct implementation of asset classification adjustments associated with the 2018 WSA amendment; and
 - Ensure correct implementation of a WSA amendment scheduled for adoption in FY 2024-25 that addresses Minimum Purchase obligations and drought allocations.
- Participating in the SWRCB's Bay Delta Water Quality Control Plan Update to ensure member agency interests are represented.
- Participating in the New Don Pedro and La Grange FERC proceedings to protect regional water supplies.
- Supporting members in receiving reliable communication of water quality issues including:
 - Coordinating member participation in the Joint Water Quality Committee;
 - Relaying important water quality information to members and SFPUC as necessary; and
 - Reviewing and acting on, if necessary, State legislation affecting water quality regulations.
- Administering the WSA to protect financial interests of members.
- Administering BAWSCA's revenue bonds issued to retire capital debt owed by Wholesale Customers to San Francisco.
- Continuing BAWSCA's Student Internship Program.
- Implementing Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.
- Maintaining a motivated, trained, and effective workforce.
- Integrating Human Resources (HR) professional support services into BAWSCA's internal operations.

- Continuing development of a staff-led effort to address BAWSCA’s long-term policy and operational resilience to inform future policy decision making.

Table 1 presents the proposed FY 2025-26 Work Plan and major results to be achieved. The activities are grouped according to the agency goals they support.

Table 2 lists the items that are not included in the proposed Work Plan and Operating Budget for FY 2025-26. Any of these items could be added to the work plan at a later date, if needed, following further discussion with the Board concerning available resources and priorities.

Table 4 lists expected future large efforts which are not included in the FY 2025-26 proposed Work Plan, but which may be included in future budgets based on current studies (recommended actions developed in Strategy 2050 for example), cyclical expenditures or other projects contingent on future developments outside BAWSCA’s control.

Proposed FY 2025-26 Work Plan Includes Continuation of Previously Approved, Significant Multi-Year Projects:

There are two major multi-year projects included in the proposed FY 2025-26 Work Plan that were previously approved and anticipated by the Board and initiated in FY 2024-25. In both cases, these activities relate directly to ensuring water supply reliability for the customers served by the BAWSCA members.

- 1. Work Plan Item 2a: Continue the Development of BAWSCA’s Strategy 2050 Cost: A Water Management Charge totaling \$2.447M has been assessed to cover the cost of consultant services, including legal support, from the start of the development work in FY 2024-25 through to the completion of the Strategy 2050 development effort in FY 2026-27.**

In FY 2023-24, BAWSCA completed the preparation of a Scope of Work for Strategy 2050. At the July 18, 2024, BAWSCA Board Meeting, BAWSCA’s CEO/General Manager was authorized to enter into the required consultant contracts to assist in the development of Strategy 2050 and to enact a Water Management Charge (WMC) to fund its development up to a not-to-exceed amount of \$2.447M.

While utilizing a WMC as the funding mechanism that allows for a discrete project budget and that is independent of BAWSCA’s annual operating budget, staff time required to support the development of Strategy 2050 is estimated and included as part of the proposed FY 2025-26 Work Plan.

Strategy 2050 development includes primary tasks and subtasks. All of the tasks and subtasks tie directly back to the proposed purpose and objectives of Strategy 2050. The purpose of Strategy 2050 is “To identify the water supply and demand management needs and opportunities for the BAWSCA region and establish a framework to collectively support water reliability and resilience”. Six Strategy 2050 objectives for the BAWSCA region were identified to achieve the Strategy 2050 purpose. These six objectives are in addition to BAWSCA’s work to oversee the WSA and align with BAWSCA’s goal of a reliable supply of high-quality water at a fair price. Specifically, the six objectives are to: 1) Provide a comprehensive picture of the region’s supply and demand management needs and options; 2) Establish a framework for collectively maintaining and improving regional water supply reliability and resilience; 3) Elevate awareness of and support the region’s interest in new and emerging regulations that

impact water supply and demand management; 4) Expand regional dialogue and collaboration to collectively address common needs; 5) Close the gap on funding needed for water supply resilience and reliability; and 6) Support availability of affordable water supplies and demand management strategies to all customers.

To accomplish the six objectives of Strategy 2050, the work effort has been broken down by key tasks. Seven key tasks will be completed as follows: 1) Evaluate water supply and demand management reliability; 2) Assess regulatory setting and collaboration opportunities; 3) Evaluate existing project concepts and identify new regional project opportunities; 4) Provide support to member agencies in their efforts to obtain external funding; 5) Document water affordability challenges and opportunities; 6) Develop a method to track and report on the status of Strategy 2050 implementation; and 7) Report preparation, including the preparation of findings plus near and long-term recommendations.

BAWSCA began Strategy 2050's development effort in the second quarter of FY 2024-25. Its projected completion date is January 1, 2027. Efforts are on schedule with Tasks 1 and 2 continuing into FY 2025-26 along with the bulk of the effort for Tasks 3, 4 and 5. In FY 2026-27, the effort will be completed as work on Tasks 6 and 7 concludes.

Strategy 2050 development requires extensive staff focus and involvement. BAWSCA's technical staff and its CEO/General Manager have been assigned substantial time commitments on the effort in the proposed FY 2025-26 Work Plan.

Extensive engagement with the BAWSCA Board and Water Management Representatives will be conducted throughout the development of Strategy 2050. Much of that engagement will take place during FY 2025-26.

2. Work Plan Item 2b: Continue the Development of Updated Regional Water Demand Projections.

FY 2025-26 Cost: \$296,488

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

At the May 16, 2024 BAWSCA Board Meeting, BAWSCA's CEO/General Manager was authorized to enter into the required consultant contract to prepare Updated Regional Water Demand Projections. This consultant contract was for a multi-year work effort, extending from FY 2024-25 into FY 2025-26. Costs for the FY 2025-26 portion of the work effort are \$254,488. That total includes an estimated \$3,000 in legal fees.

In FY 2024-25, BAWSCA is developing updated information on agency-specific water demands and proposed conservation plans such that the data gathered can be provided to each BAWSCA agency on or before June 30, 2025 for their subsequent use in preparing their 2025 UWMPs. This information will also be folded into BAWSCA's Strategy 2050 effort as detailed above.

For FY 2025-26, work will continue on the update. Specifically: 1) Estimations of the ability for each agency to meet their annual Urban Water Use Objectives, as mandated by the State, will be evaluated; 2) Forecasting of future water demands and conservation savings under a range of possible hydrologic, climate, and other conditions will be performed; 3) An expanded sensitivity analysis will be conducted, one which groups various future possible conditions such that their collective impact on water demand, and therefore the sensitivity of demand estimates to a range of alternative futures, can be predicted; and 4) New simulations of impacts on water demand from projected future droughts will be performed, and those simulations will also consider the potential for future demand hardening.

Like the above-detailed Strategy 2050 efforts, work in FY 2025-26 associated with the completion of the updated regional water demand projections requires extensive staff focus and involvement of BAWSCA's technical staff and its CEO/General Manager. As part of the sensitivity analysis task, extensive engagement will be conducted with BAWSCA's Water Management Representatives as well as a task force assembled to represent the BAWSCA service area's community, business and environmental interest groups. BAWSCA's Board will be kept apprised of the progress of the work as it advances toward its anticipated completion date of December 31, 2025.

Results of January 16, 2025 Work Plan and Budget Preparation Planning Session and Feedback at March 20, 2025 Board Meeting:

During BAWSCA's January 16, 2025 meeting, the Work Plan and Budget Preparation Planning Session was held with the Board as part of its regular meeting agenda. The focus of the planning session was to receive input from Board members on BAWSCA's long-term future challenges and possible work plan items for the coming fiscal year. Table 3 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. An additional comment was made at the March 20, 2025 BAWSCA Board meeting and is recorded with the staff response. These comments and responses are reflected in the proposed FY 2025-26 Work Plan and results to be achieved.

Background:

BAWSCA's Work Plan development process begins by reviewing and updating the major activities and long-term future challenges. These long-term activities require coordinated action by BAWSCA and its members to ensure a reliable supply of high-quality water at a fair price. Table J-1 lists these updated long-term future challenges through 2065 included in the development of the FY 2025-26 proposed Work Plan. In each case, the results identified in Table J-1 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

Proposed FY 2025-26 Operating Budget:

The proposed Operating Budget of \$5,547,732 presented in Table 5 reflects the funding necessary to achieve the full Work Plan and includes an estimated pre-funding contribution for Other Post-Employment Benefits (OPEB). This is included as a separate line item to highlight its inclusion in this tenth year of funding.

Explanation and Alternatives for Salaries and Benefits:

The increase for salaries and benefits of \$216,147 shown in the proposed Operating Budget is calculated based on primary factors.

Historically, BAWSCA budgets for an allowance for salary increases based on a Cost of Living Allowance (COLA) adjustment plus a merit allowance separate and in addition to the COLA adjustment such that the size of the merit allowance would permit potential salary increases of 5%, or to top step for the position, whichever is less. The Board grants discretion to the BAWSCA CEO to provide merit allowances reflective of individual employee performance, with the understanding that the overall average staff increase remain near 5% and that all staff salaries should lie within the adopted salary range for their respective position(s).

This year the COLA adjustment, based on the December value of the Consumer Price Index (CPI) for the Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose area, is 2.08%. As such, the proposed Operating Budget includes the following for all employees except the CEO:

- An increase to the top step of salaries for FY 2025-26 by 2.08% to ensure that the approved salary ranges stay competitive moving forward; and
- \$60,671 total budget allowance for salary increases, which allows for a potential 5% adjustment to the actual FY 2025-26 salaries for both COLA and merit increases.

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

A budget allowance of \$9,197 for a contractual increase for the CEO has been included in the proposed Operating Budget. For budgeting purposes, this amount is calculated in a manner consistent with the merit increases budgeted for BAWSCA's prior CEO.

Funding Considerations for the Proposed Operating Budget:

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

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

The funding plan for the FY 2024-25 Operating Budget approved in May 2024 increased assessments by 9.0% as well as use of \$340,120 transferred from the General Reserve.

The General Reserve has a balance as of January 31, 2025 of \$1,356,288, which is 24% of the adopted FY 2024-25 Operating Budget, and is within the 20% to 35% General Reserve budgetary guideline range set by the Board.

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

At this time, it is estimated that the FY 2024-25 Operating Budget will be 90-95% expended at year end. The CEO will continue to closely review the anticipated end-of-year expenses over the next few months. Any post-audit excess funds will be transferred to the General Reserve in Fall 2025, however at this time for budget funding purposes, it is assumed that no funds will be available for transfer at the end of FY 2024-25.

Potential Additional One-time Payment to CalPERS to Reduce Unfunded Pension Liability:

At the February 12, 2025 BPC meeting, staff presented four options available for BAWSCA to pay off unfunded pension liability faster than CalPERS' 20-year schedule. The options are:

1. Contribute Additional Discretionary Payments (ADPs) to CalPERS
2. Re-amortize Annual Unfunded Accrued Liability (UAL) Contributions to CalPERS
3. Establish an Irrevocable Prefunding Trust to set aside extra funding outside of CalPERS
4. Issue Pension Obligation Bonds (POBs)

In addition, staff presented the estimated present value savings based on three alternative amortization terms under Option 1 and Option 2, compared against the current CalPERS 20-year amortization schedule.

The BPC showed interest in Option 1, ADPs to CalPERS, which can reduce the UAL and result in long-term savings, while not requiring an ADP to be made in any future year. Therefore, an opportunity to make an ADP, funded by General Reserve, is added to the budget funding Option 2 and 3 described in the section below. The additional payment amount is consistent with the examples used in the estimated financial impact analysis presented to the BPC in February. Specifically, targeting the UAL to be paid off in 10 years, by 2035, an additional annual payment of \$66,000 is used, which is estimated to result in present value savings of approximately \$72,000. However, a payment of \$66,000 would need to be made every year over the 10-year period to pay off the balance that quickly. The estimated present value savings are calculated based on CalPERS assumed annual investment return of 6.8% and a discount rate of 4.5% per year, assuming CalPERS current actuarial assumptions remain unchanged and CalPERS' experience exactly matches its actuarial assumptions in the future. In addition, the estimated savings assume a uniform increase in payment each year, although making an ADP during a fiscal year does not require an ADP be made in any future year.

Should the Board not adopt an ADP for FY 2025-26 in the budget, it could alternatively evaluate at its January 2026 meeting whether the General Reserve at the conclusion of the FY 2024-25 would allow an ADP to be made. If, for instance, the General Reserve at that time is significantly above what was estimated at the time of budgeting, that might allow an ADP to be made with full knowledge of the fiscal situation.

Funding Options and Alternatives:

In developing funding options to address FY 2025-26 budgetary needs, BAWSCA has three distinct funding sources to consider given the proposed Work Plan items:

1. Member Agency Assessments
2. BAWSCA General Reserve
3. WSA Water Management Charge as allowed per Section 3.06.A of the WSA

For FY 2025-26, a WMC is already in place to cover the costs of on-going Strategy 2050 efforts, and the use of a new or expanded WMC is not necessary.

Table 6 presents a range of four funding alternatives based on an increase in assessments and an associated target for the General Reserve.

- **Option 1 “Target 0% Assessment Increase”:** 0% assessment increase (\$5,274,398) and a transfer of \$273,334 from the General Reserve. This results in a General Reserve balance of \$1,082,954, which is 20% of the proposed Operating Budget.
- **Option 2a “Nominal Assessment Increase of 2.3%”:** A 2.3% increase in assessments (\$5,395,709), that is same as San Francisco’s wholesale water rate

increase in FY 2025-26 and is close to the CPI, and a transfer of \$152,023 from the General Reserve. This alternative results in a General Reserve balance of \$1,204,265, which is 22% of the proposed Operating Budget.

- **Option 2b “Add \$66,000 CalPERS ADP Funded by General Reserve”:** *This results in a General Reserve balance of \$1,138,265, which is 21% of the proposed Operating Budget.*
- **Option 3a “Reserve-Neutral Assessment Increase of 5.2%”:** A 5.2% increase in assessments (\$5,547,732) that is equal to budgeted expenditures, maintaining the current level of General Reserve balance of \$1,356,288, which is 24% of the Operating Budget.
- **Option 3b “Add \$66,000 CalPERS ADP Funded by General Reserve”:** *This results in a General Reserve balance of \$1,290,288, which is 23% of the proposed Operating Budget.*

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

Table 1. Proposed FY 2025-26 Work Plan and Results to Be Achieved

(New/Expanded Items Shown in Blue Italic and Bold Font)

(Changes from the March 20, 2025 BAWSCA meeting are shown in Red Italic and Bold Font)

BAWSCA OBJECTIVE & PROPOSED FY 2025-26 WORK PLAN ITEM
RELIABLE WATER SUPPLY
1. <u>Facility Reliability: Monitor SFPUC’s WSIP, 10-Year Capital Plan, Asset Mgmt. Program, and Emergency Response</u>
a. Monitor WSIP scope, cost, and schedule including extending State oversight as necessary through to completion. Press the SFPUC and the city's political leadership to meet the adopted schedule, satisfy the requirements of AB 1823, and respond promptly to BAWSCA's reasonable requests. Track WSIP projects designated as critical drought water supply components to verify they have been completed in such a fashion that they can meet their intended Level of Service (LOS) goals.
b. Review and monitor SFPUC’s Regional 10-Year Capital Plan to ensure that identified projects and programs meet the needs of the members in a cost-effective and appropriate manner, <i>taking into consideration water supply affordability concerns.</i>
c. Review & monitor SFPUC's Asset Management Program to ensure ongoing long-term maintenance and protection of RWS assets.
d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters.
e. Engage with and track the SFPUC Capital Planning Improvements Initiative.
f. <i>Engage with the SFPUC on their preparation of the 2026 State of the Regional Water System Report (due to BAWSCA in FY 2026-27)</i>
2. <u>Long-Term Supply Solutions: Implement BAWSCA’s Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When needed</u>
a. Continue the development of BAWSCA’s Long-Term Reliable Water Supply Strategy 2050 (Strategy 2050), <i>which includes an assessment of water supply affordability and the role that BAWSCA should play to help agencies achieve affordability goals.</i>
b. Continue the development of updated regional water demand projections “BAWSCA 2025 Regional Water Demand and Conservation Projections Project”.
c. Participate in the Bay Area Regional Reliability (BARR) Partnership.
d. Participate in the continued planning of the PureWater Peninsula potable reuse project.
e. Facilitate development of other local water supply options including tracking and reporting to the Board on members’ efforts, identifying potential grant funding, monitoring of related policy development, etc.

BAWSCA OBJECTIVE & PROPOSED FY 2025-26 WORK PLAN ITEM
f. Use BAWSCA Reliability Model to evaluate Bay Delta Plan Healthy Rivers and Landscape Plan for the Tuolumne River’s impacts on reliability, the prospective benefits that new alternative water supplies may provide, and to estimate the corresponding need to ration during droughts.
g. Facilitate use of the BAWSCA Model by members via Subscription Program.
h. <i>Conduct initial scoping evaluation of the Regional Financing Authority’s (RFA’s) available financing options</i>
3. <u>Near-term Supply Solutions: Demand Management, Water Conservation and Drought Response</u>
a. Represent members’ interests in regional and statewide discussions on the development of and compliance with California’s “Making Water Conservation a California Way of Life” requirements as appropriate.
b. Provide regional coordination to support members’ AMI implementation and data management and utilization.
c. Implement BAWSCA’s core water conservation programs.
d. Implement BAWSCA’s subscription conservation rebate programs that benefit and are paid for by participating members.
e. Engage with CalWEP & others to promote 3 rd party development & administration of a leak repair & training certification program.
f. Participate in San Mateo County’s C/CAG OneWatershed pilot project.
g. Represent members in regional and State-level discussions relative to water conservation-related regulations, grant funding opportunities, and programs where regional participation is possible.
4. <u>Take Actions to Protect Members’ Water Supply and Financial Interests in WSA Administration</u>
a. Monitor SFPUC’s implementation of its AWS Program, including associated recommended actions, <i>taking into consideration water supply affordability</i> , and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations at a fair price to its Wholesale Customers.
b. Protect members’ water supply interests to ensure that the SFPUC meets its legal and contractual obligations for water supply from the Regional Water System in light of ongoing risks.
c. <i>Implement the updated Tier 2 Plan (assumes adoption of the updated Tier 2 Plan in FY 2024-25).</i>
d. Protect members’ water supply and financial interests in the SFPUC’s required 2028 decisions.
e. Ensure correct implementation of asset classification adjustments associated with 2018 WSA amendment.
f. Ensure correct implementation of the recent WSA amendment allowing for the paired transfer of a portion of an agency’s ISG and minimum purchase obligation.
g. <i>Engage with the SFPUC and BAWSCA Member Agencies on the Implementation of the WSA Amendment that alters the calculation and assessment of Minimum Purchase Obligations (assumes the adoption of the WSA Amendment in FY 2024-25).</i>
5. <u>Protect Members’ Interests in a Reliable Water Supply</u>

BAWSCA OBJECTIVE & PROPOSED FY 2025-26 WORK PLAN ITEM
a. Participate in SWRCB Bay Delta Plan Update to ensure members’ interests are represented, including ongoing legal intervention.
b. Participate in the Don Pedro Project/La Grange Project FERC licensing process to protect customers’ long-term interests in Tuolumne River water supplies, including ongoing legal intervention.
6. <u>Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u>
a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs.
b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.
c. Support the use of BAWSCA’s grant tracking tool for use by BAWSCA members.
d. Seek avenues for grant funding to support the implementation of BAWSCA’s Strategy.
7. <u>Reporting and Tracking of Water Supply and Conservation Activities</u>
a. Complete BAWSCA FY 2024-25 Annual Survey.
b. Complete BAWSCA FY 2024-25 Annual Water Conservation Report.
c. In partnership with members, operate, maintain and enhance BAWSCA’s updated WCDB.
HIGH QUALITY WATER
8. <u>Support Members in Receiving Reliable Communication of Water Quality Issues</u>
a. Coordinate members’ participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.
b. Relay important water quality information (notices as received from SFPUC) to members when made aware of changes that have the potential to impact water quality (e.g., taste, odor, blending).
c. Review and act on, if necessary, State legislation affecting water quality regulations.
FAIR PRICE
9. <u>Perform Matters that Members Agencies Delegated to BAWSCA in the Water Supply Agreement</u>
a. Administer the WSA with San Francisco to protect the financial interests of members.
b. Administer BAWSCA’s revenue bonds issued to retire capital debt owed by the Wholesale Customers to San Francisco.

BAWSCA OBJECTIVE & PROPOSED FY 2025-26 WORK PLAN ITEM
AGENCY EFFECTIVENESS
10. <u>Maintain Community Allies and Contacts with Environmental Interests</u>
a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them, if necessary, to achieve agency goals.
b. Maintain a dialogue with responsible environmental and other groups, who will participate in the permitting and approval process for efforts to maintain system reliability.
c. Maintain effective communications with members, customers, and others to achieve results and support goals.
d. In conjunction with San Francisco, conduct or co-sponsor tours of the Regional Water System for selected participants.
11. <u>Manage the Activities of the Agency Professionally and Efficiently</u>
a. Implement BAWSCA's Student Internship Program
b. Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.
c. Maintain a motivated, trained, and effective Workforce.
d. <i>Manage and interact with the Consultant selected to serve as BAWSCA's Human Resources Services provider</i>
e. Continue development of a staff-led plan to address BAWSCA's long-term policy & operational resilience to inform future policy decision making.

Table 2: Activities Not Included in Proposed Work Plan and Operating Budget for FY 2025-26

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

Table 3. FY 2025-26 Work Plan and Budget Planning Sessions – Comments and Suggested Work Plan Items for Further Consideration

#	Board Member	Board Member Comment/Question	Staff Response
1	Andrews	It would be beneficial to educate customers as to the means and methods to conserve water	Comment noted. As part of BAWSCA’s Water Conservation Services, BAWSCA partners with member agencies on its Water Efficient Landscape Education Program. Classes are offered to the public for free during the Spring and Fall seasons. The types of classes include: (1) lecture classes, where attendees receive an informative presentation and/or demonstration; (2) hands-on workshops, where attendees help install or maintain a water-efficient garden; and (3) virtual courses. In FY 2025-26, BAWSCA will continue to offer classes. BAWSCA will also expand its collection of recordings of classes that are available via BAWSCA’s YouTube page.
2	Weed	Water quality concerns arise, such as PFAS, that must be considered in the development of alternative water supplies (both local agency-specific supplies as well as regional supplies that involve multiple partner agencies).	Comment noted. BAWSCA has made a recommendation with the SFPUC that water quality concerns be fully evaluated in their development of any alternative water supply project. In FY 2025-26, as part of the continued development of Strategy 2050, water quality risks to BAWSCA’s existing and future supplies will be considered when evaluating project reliability and costs.
3	Pierce	BAWSCA must balance the need to provide a reliable water supply with the costs associated with development of new supplies and system maintenance (and the associated impact on water rates over time).	Comment noted. In FY 2025-26, as part of the continued development of Strategy 2050, BAWSCA is developing a list of potential future water supply projects that individual agencies may one day implement. The cost of project development, including their future operational costs, will be estimated. In addition, Strategy 2050 will delve into the concept of ‘affordability’, in an effort to better understand agency and customer financial constraints (and rate impacts). BAWSCA’s ongoing efforts related to the oversight of SFPUC’s Capital

#	Board Member	Board Member Comment/Question	Staff Response
			Improvement Program (CIP), included in the FY 2025-26 work plan, pays close attention to the potential rate impacts of implementing their CIP.
4	Stevenson	BAWSCA must continue to focus on its goal (e.g., a reliable supply of high-quality water at a fair price). The impact of the SFPUC’s CIP on the rate payer (as expressed by Director Pierce) is of importance.	Comment noted. As detailed in the response to Director Pierce, in FY 2025-26, as part of the development of Strategy 2050, BAWSCA will be taking a deeper look at the concept of ‘affordability’. In addition, as part of BAWSCA’s on-going efforts associated with the oversight of SFPUC’s CIP, BAWSCA will continue to hold paramount the best interests of its member agencies as it relates to adherence to BAWSCA’s goal.
5	Showalter	Water supply reliability is of great importance. BAWSCA must take a cautious approach to make sure that the required Operation and Maintenance of the SF RWS is not deferred to the degree that it compromises system reliability in an effort to lower.	Comment noted. In FY 2025-26, the SFPUC will be preparing its next cycle of their 10-year CIP. That CIP will include a number of projects for implementation during that 10-year period (for both their Hetch Hetchy as well as their Regional Water Divisions). BAWSCA works closely with its engineering consultants to review the SFPUC’s 10-year CIP and meticulously evaluate if the SFPUC has taken sufficient steps to include the necessary work required to maintain water supply reliability. BAWSCA’s oversight of the SFPUC’s CIP is included as a component of the FY 2025-26 work plan.
6	Jordan	In light of the recent Los Angeles Area Fires, BAWSCA should be aware that more work may be needed to help member agencies evaluate how to cope with distribution pressure losses that could occur when fighting wildfires.	Comment noted. As part of BAWSCA’s FY 2025-26 work plan, BAWSCA is to provide assistance to agencies needed to facilitate engagement with the SFPUC regarding emergency response matters. BAWSCA also intends to encourage the SFPUC to conduct a greater number of emergency response exercises each year.
7	Stone (at March 20, 2025 Board Meeting)	Noticed that affordability was not referenced in BAWSCA’s workplan.	Comment noted. Staff reviewed the workplan and added reference to affordability in appropriate workplan items to clarify where affordability is a factor, but which did not explicitly mention it.

Table 4. Potential Future Large Efforts

Project Name	Cost Updates			Discussion
	FY 2024-25 (Budget as Adopted)	FY 2025-26 (Proposed Budget)	FY 2026-27 & Beyond	
Develop the Long-Term Water Supply Strategy 2050, and thereafter implement Strategy recommendations to assure a reliable supply of high quality water at a fair price.	NA – Costs for Strategy 2050 are covered via a Water Management Charge (separate from the FY 2024-25 Budget)	NA – Costs for Strategy 2050 are covered via a Water Management Charge (separate from the FY 2025-26 Budget)	Strategy development in FY 2026-27 are covered via a Water Management Charge (separate from the FY 2026-27 Budget); does not include Strategy Implementation (which has yet to be envisioned)	BAWSCA initiated its first regional long-term planning effort in 2009, which was completed in 2015. BAWSCA initiated an update to the Strategy with a planning horizon through 2050, and therefore the work effort is termed Strategy 2050. A Scope of Work for Strategy 2050 was developed in FY 2023-24, and the development of Strategy 2050 began in FY 2024-25. Development of Strategy 2050 will be completed by December 2026. The total cost of Strategy 2050 development is \$2.447M (covering the development work performed beginning in FY 2023-24 and extending through December 2026. A Water Management Charge has been assessed on the BAWSCA Agencies to collect the funds necessary to cover these costs. The Water Management Charge is not included in BAWSCA’s budget. Costs for implementing Strategy 2050 will not be known until the completion of Strategy 2050.
Expand efforts to monitor SFPUC’s development of its Alternative Water Supply Program that will result in the implementation of water supply projects to meet its level of service requirements,	\$122K	\$161K	\$150K thru 2028; additional costs associated with specific projects would be determined based on the implementation progress of the	The Alternative Water Supply Plan is intended by the SFPUC to be a decision-support framework document that outlines guiding principles, Level of Service (LOS) goals, priorities, risks and tradeoffs to help the Commissioners determine how projects should continue to progress into the proposed design and CEQA phase and beyond. The final plan was provided to the SFPUC Commission and made public in March 2024. The SFPUC has entered into the planning and proposed design stage for a select projects, in particular two

Project Name	Cost Updates			Discussion
	FY 2024-25 (Budget as Adopted)	FY 2025-26 (Proposed Budget)	FY 2026-27 & Beyond	
including the multiple projects necessary to address Bay Delta Plan impacts ¹			SFPUC’s AWS Plan.	<p>potable re-use projects located within the BAWSCA service area.</p> <p>BAWSCA will be engaged with the SFPUC in FY 2025-26 as the Plan continues its’ early implementation phase. From a cost perspective, much of the work will involve BAWSCA staff with support from consultants. Specifically, that consultant support will include the evaluation of water supply benefits of respective projects as well as the initial development of an approach by the SFPUC to provide financial assistance to member agencies for their development of local (agency-specific) water supply projects. Work in FY 2026-27 and beyond is predicated on the continued advancement by the SFPUC of their AWS Plan.</p> <p>Included in BAWSCA’s work effort is active engagement and review and comment on the Plan Annual Reports prepared by the SFPUC.</p>
Complete a Regional Water Demand and Conservation Projections Study (refresh began in FY 2024-25)	\$562K	\$296.5K ¹	\$0K expended in FY 2026-27 fiscal year; demand projections completed once every five-year period, hence in future years this	For water supply planning purposes, as well as in support of each agency’s need to plan for adequate water supply in future years, BAWSCA performs a demand study for the service area once every five years. This work effort is highly detailed and includes projections for several key demand drivers, such as population, zoning plans, etc. BAWSCA began the preparation of the 2025 demand study in July 2024 and anticipates the study to be completed in December 2025. BAWSCA will embark on

¹ Consultant work in FY 2024-25 is anticipated to be delayed, such that \$40k in consultant effort budgeted for FY 2024-25 has been allocated into the proposed budget for FY 2025-26

Project Name	Cost Updates			Discussion
	FY 2024-25 (Budget as Adopted)	FY 2025-26 (Proposed Budget)	FY 2026-27 & Beyond	
			cost will be in the range of \$800k to \$1M per cycle as the work will continue to require extensive consultant support.	an updated demand study in FY 2029-30. Updates are required every 5 years to align with the State’s schedule for agencies to update their Urban Water Management Plans.

Table 5. Proposed FY 2025-26 Operating Budget by Major Expenditure Category

Cost Category	Approved FY 2024-25 Budget (\$)	Proposed FY 2025-26 Budget (\$)	Change from FY 2024-25 Budget (\$)
Consultants/ Direct Expenditures			
Reliability	2,102,550	1,563,088	(539,462)
Fair Pricing	337,500	324,887	(12,613)
Administration	165,000	346,000	181,000
<i>Subtotal Consultants</i>	2,605,050	2,233,975	(371,075)
Administration			
Employee Salaries & Benefits	2,368,143	2,609,282	241,139
Other Post-Emp. Benefits	80,000	85,000	5,000
Operational Expenses	520,750	554,300	33,550
<i>Subtotal Administration</i>	2,968,893	3,248,582	279,689
Total Operating Expenses	5,573,943	5,482,557	(91,386)
Capital Expenses	5,000	5,000	0
Budgeted Contingency	32,500	57,500	25,000
Regional Financing Authority	2,025	1,625	(400)
Bay Area Water Users Assn.	1,050	1,050	0
Grand Total Operating Budget	5,614,518	5,547,732	(66,786)

Table 6. Analysis of Funding Options for Proposed FY 2025-26 Operating Budget

Fund Source	FY 2024-25	FY 2025-26				
	Adopted Funding Plan as of 05/16/2024	Option 1 0% Assessment Increase	Option 2a 2.3% Assessment Increase	Option 2b 2.3% Assessment Increase	Option 3a 5.2% Assessment Increase	Option 3b 5.2% Assessment Increase
Assessments	\$5,274,398	\$5,274,398	\$5,395,709	\$5,395,709	\$5,547,732	\$5,547,732
Transfer from/(to) General Reserve	\$340,120	\$273,334	\$152,023	\$152,023	\$0	\$0
Total Available Operating Budget/Funds	\$5,614,518	\$5,547,732	\$5,547,732	\$5,547,732	\$5,547,732	\$5,547,732
Potential End of FY24-25 Transfer to General Reserve		\$0	\$0	\$0	\$0	\$0
Additional Payment to CalPERS Pension Funded by Reserves ⁽¹⁾				(\$66,000)		(\$66,000)
Estimated Year-End Reserves ⁽²⁾	\$1,356,288	\$1,082,954	\$1,204,265	\$1,138,265	\$1,356,288	\$1,290,288
General Reserve to Budget Ratio ⁽³⁾	24%	20%	22%	21%	24%	23%
Assessment to Budget Ratio	94%	95%	97%	97%	100%	100%

Note:

(1) The additional payment of \$66,000 to CalPERS is targeting the unfunded pension liability to be paid off in 10 years, by 2035. As an alternative, if targeting the unfunded liability to be paid off in 15 years, by 2040, the additional payment amount is estimated to be lower at \$26,000, assuming CalPERS current actuarial assumptions remain unchanged, and CalPERS' experience exactly matches its actuarial assumptions in the future.

(2) For FY 2024-25, the General Reserve balance as of 1/31/2025 was \$1,356,288.

(3) Per BAWSCA's General Reserve Policy, the guideline for the balance in the General Reserve is 20%-35% of the annual operating budget.

APPENDICES

Appendices A through J present additional detail about the proposed FY 2025-26 Work Plan and Operating Budget.

Appendix A: Uses of Professional Services

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

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

6. Accounting/auditing expertise to assist with implementing the Water Supply Agreement, as well as an independent auditor to prepare and review annual financial statements. The services provided by BAWSCA’s accounting/auditing expert are critical to BAWSCA’s work in successfully overseeing the WSA and the associated auditing role that BAWSCA plays to the financial benefit of the member agencies and their customers. BAWSCA strives to develop a long-term relationship with its accounting/auditing expert to ensure the best possible outcome for the member agencies and their customers given the complexity of the WSA and the nature of the auditing activity.

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

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

Table A-1. Historical Legal Counsel Contract Amounts

Fiscal Year	Contract Amount	% of Total BAWSCA Operating Budget
2015-16	\$586,500	18%
2016-17	\$726,000	21%
2017-18	\$669,000	18%
2018-19	\$919,000	21%
2019-20	\$819,000	18%
2020-21	\$1,006,500	23%
2021-22	\$748,499	16%
2022-23	\$856,499	18%
2023-24	\$990,000	20%
2024-25	\$905,000 <i>(as of March 13, 2025)²</i>	16% <i>(as of March 13, 2025)</i>
2025-2026	\$935,000 <i>(proposed)</i>	17% <i>(proposed)</i>

² The Hanson Bridgett Contract Amount listed for FY 2024-25 does not include the additional \$80,000 proposed as part of Amendment 2 to the Hanson Bridgett Contract, up for Board Consideration on May 15, 2025

Appendix B: History of Salary and Benefits Adjustments

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

- FY 2015-16: The Board approved a 2.09 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2016-17: The Board approved a 3.15 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2017-18: The Board approved a 3.025 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2018-19: The Board approved a 3.084 percent COLA increase to the top step of staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2019-20: The Board approved a 4.398 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2020-21: The Board approved a 3.01 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2021-22: The Board approved a 2.15 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2022-23: The Board approved a 5.52 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2023-24: The Board approved a 4.63 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.
- FY 2024-25: The Board approved a 2.797 percent COLA increase to the top step for staff salary ranges. An allowance for merit adjustments was budgeted for employees not yet at top step.

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

The proposed FY 2025-26 budget for BAWUA is \$1,050 and includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA proposed FY 2025-26 Operating Budget.

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

The BAWSCA Board of Directors has continued to agree to fund nominal administrative costs for the RFA, at least until it becomes more actively involved and requires significant resources. Assuming a continued low level of activity in FY 2025-26, until evaluation of its available financing options are completed, the proposed RFA budget is \$1,625. This budget amount includes legal counsel support and a small operations budget allowance. This budget amount appears as a separate line item in the BAWSCA budget and is included in the BAWSCA proposed FY 2025-26 Operating Budget. The RFA will formally consider and adopt this budget in January 2026.

Appendix E: Funding for Subscription Conservation Programs

As in prior years, a portion of operating expenses would be reimbursed by agencies that participate in BAWSCA’s subscription water conservation programs. The staff time to be devoted to those programs for FY 2025-26 is estimated to be 1,733 hours. Agencies participating in subscription programs pay for associated consultant support and direct expenses. As in prior years, those consultant costs and direct expenses are included in the Operating Budget and will be repaid to BAWSCA by participating agencies over the course of FY 2025-26.

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

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

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

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
FY 2019-20			
EarthCapades	\$79,720	\$2,960	
HET		\$1,600	
Large Landscape Audit	\$110,652	\$1,332	
Lawn Be Gone		\$880	
Lawn Be Gone Inspections	\$1,018		
Water Wise Ed. Kits	\$51,397	\$1,370	
Watersense Giveaways	\$4,382		
WaterSmart Reports	\$216,429		
Rain Barrel Rebate	\$900	\$200	
Water Loss Program	\$215,917		
Customer Meter Testing	\$4,570		
Smart Controller Rebate		\$1,200	
Total	\$686,185	\$8,342	\$0
FY 2020-21			

April 9, 2025 – Agenda Item #5A

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
EarthCapades	\$95,515	\$2,200	
Large Landscape Audit	\$132,833	\$1,332	
Lawn Be Gone		\$360	
Lawn Be Gone Inspections	\$1,958		
Water Wise Ed. Kits	\$46,834	\$1,272	
Watersense Giveaways	\$2,902		
WaterSmart Reports	\$274,276		
Rain Barrel Rebate	\$400	\$390	
Water Loss Program	\$125,475		
Customer Meter Testing	\$17,280		
Smart Controller Rebate		\$1,600	
DSS Support Services	\$12,311.75		
Total	\$711,384	\$5,554	\$0
FY 2021-22			
EarthCapades	\$87,275	\$3,020	
Large Landscape Audit	\$169,697.50	\$1,628	
Lawn Be Gone		\$960	
Lawn Be Gone Inspections	\$3,234		
Water Wise Ed. Kits	\$68,018.51	\$1,621	
Watersense Giveaways	\$14,732.28		
WaterSmart Reports	\$293,124.64		
Rain Barrel Rebates	\$1,840	\$485	
Water Loss Program	\$239,366		
Customer Meter Testing	\$20,390		
Smart Controller Rebate		\$1,800	
DSS Support Services	\$0		
Irrigation Hardware Rebate		\$50	
Total	\$897,677.93	\$9,564	\$0
FY 2022-23			
EarthCapades	\$115,395	\$4,040	
Large Landscape Program	\$165,431	\$1,924	
Lawn Be Gone		\$1220	
Lawn Be Gone Inspections	\$3,422		
Water Wise Ed. Kits	\$79,327	\$1,810	
Watersense Giveaways	\$5,954		
WaterSmart Reports	\$356,505		
Rain Barrel Rebates	\$1,580	\$425	
Water Loss Program	\$167,525		
Customer Meter Testing	\$8,893		
Smart Controller Rebate		\$1,650	
DSS Support Services	\$0		
Irrigation Hardware Rebate		\$90	
Total	\$904,032	\$11,159	\$0
FY 2023-24			
EarthCapades	\$103,265	\$3,500	
Large Landscape Program	\$227,268	\$1,924	

Fiscal Year and Program Name	Direct Program Cost - Reimbursed	BAWSCA Staff Cost - Reimbursed	BAWSCA Admin. Cost - Reimbursed
Lawn Be Gone		\$2,240	
Lawn Be Gone Inspections	\$2,737		
Water Wise Ed. Kits	\$50,160	\$1,115	
Watersense Giveaways	\$11,219		
WaterSmart Reports	\$363,883		
Rain Barrel Rebates	\$1,420	\$770	
Water Loss Program	\$303,295		
Customer Meter Testing	\$29,030		
Smart Controller Rebate		\$1,650	
DSS Support Services	\$0		
Irrigation Hardware Rebate		\$60	
Total	\$1,092,277	\$11,259	\$0

Appendix G: Value for the Cost

The formula for BAWSCA assessments results in equivalent cost per gallon throughout BAWSCA’s members. All BAWSCA costs are ultimately passed on to water customers through the water rates of the local city, district, or private utility. Table G-1 below provides the estimate annual cost per person (calculated as Operating Cost divided by total residential population) and per household (assuming three persons per household) for BAWSCA’s Operating Budget. Table G-1 also provides the estimate annual cost per customer account (calculated as Operating Cost divided by total number of all customer accounts for all member agencies) for BAWSCA’s Operating Budget.

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

Fiscal Year	Est. Annual Cost Per Person	Est. Annual Cost Per Household	Est. Annual Cost Per Customer Account
2014-15	\$1.70	\$5.11	\$6.87
2015-16	\$1.84	\$5.51	\$7.38
2016-17	\$1.96	\$5.88	\$7.85
2017-18	\$2.08	\$6.24	\$8.57
2018-19	\$2.34	\$7.02	\$9.66
2019-20	\$2.50	\$7.51	\$10.44
2020-21	\$2.20	\$6.59	\$9.19
2021-22	\$2.58	\$7.75	\$10.91
2022-23	\$2.56	\$7.68	\$10.75
2023-24	\$2.93	\$8.79	\$12.40
2024-25	\$3.00	\$9.00	\$12.76
2025-26	\$2.96 (proposed)	\$8.89 (proposed)	\$12.56 (proposed)

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

Pursuant to Section 8.04 of the Water Supply Agreement, the Wholesale Customers delegated authority to BAWSCA to conduct the annual review of SFPUC's calculation of the Wholesale Revenue Requirement (WRR) and the Balancing Account. Table H-1 provides the annual financial impact to the Wholesale Customers resulting from BAWSCA’s annual comprehensive review. Over the past 20 years, BAWSCA’s reviews have resulted in a total of \$47.2 million savings to the Wholesale Customers. This total includes the savings resulting from resolution on the issues discovered by BAWSCA prior to the WSA 7.06 process and savings from settlements during the formal 7.06 process.

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

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

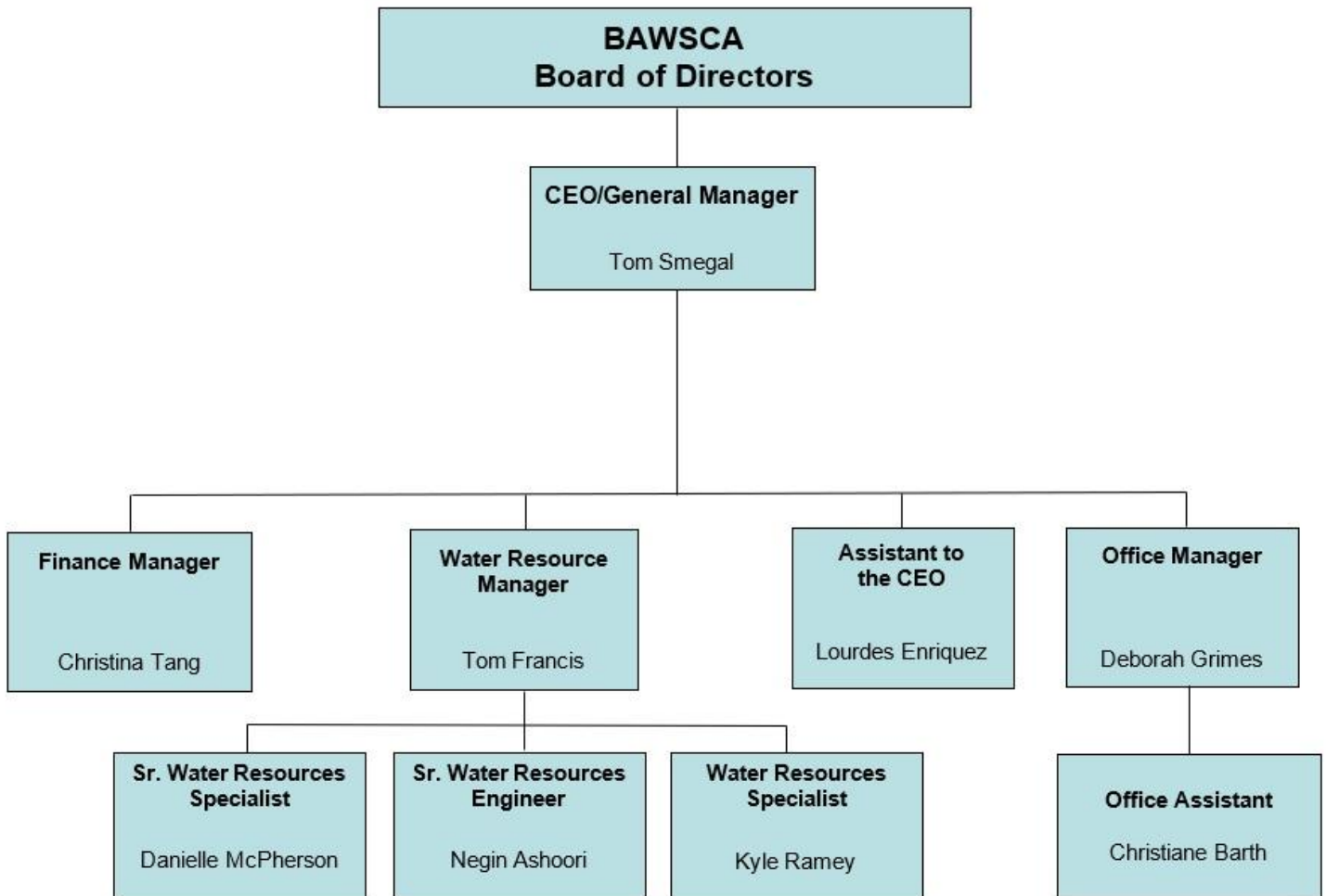
Fiscal Year	Savings to Wholesale Customers
2001-02	\$698,095
2002-03	\$1,568,857
2003-04	\$476,825
2004-05	\$5,726,908
2005-06	\$1,229,604
2006-07	\$718,267
2007-08	\$1,917,328
2008-09	\$461,670
2009-10	\$1,635,005
2010-11	\$893,914
2011-12	\$5,352,720
2012-13	\$739,965
2013-14	\$102,952
2014-15	\$11,903,057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

2018-19	\$95,127
2019-20	\$292,902
2020-21	\$5,701
Total	\$47,210,145

Appendix I: Current Organization and Staffing

The figure below represents the current reporting relationships in the organization

BAWSCA Organization Chart



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

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

Table J-1 lists these activities as they were included in the development of the FY 2025-26 Work Plan. In each case, the results identified in Table J-1 will take the form of agreements, legislation, or other legally enforceable work products. Development of these documents will result from skilled negotiations based on rigorous investigations of impacts and alternatives, costs, cost allocation, and other matters.

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

BAWSCA Goal and Associated Challenges		FY 2025-26 (Near-Term)	2026-2040 (Mid-Term)	2040-2065 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability				
1	Protection of member agencies' interests in long-term water supply reliability from the SF RWS and 184 MGD Supply Assurance in light of potential areas of risk, including climate change and its associated impacts including sea level rise, and regulatory challenges, as presented in the Long Term Vulnerability Analysis and other technical studies.	X	X	X
2	Protection of member agencies' interests in SFPUC development and implementation of its Alternative Water Supply Program including oversight of scope, schedule, and budget.	X	X	X
3	Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.	X	X	X
4	Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
5	Support member agencies in their efforts to ensure system reliability during an emergency.	X	X	X
6	Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
7	Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
8	Assist member agencies in complying with the State's expanding regulatory requirements related to water use efficiency and reliability.	X	X	X
9	Protection of member agencies' interests in San Francisco's December 2028 decisions including deciding whether to make San Jose and Santa Clara permanent customers.	X	X	
10	Ratification and implementation of the new Tier 2 Drought Allocation Plan.	X		
Reliable Supply: Ensure Regional Water System Facility Reliability				
11	Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
12	Protection of water supply and financial interests of water customers in SFPUC's asset management program to ensure ongoing maintenance and protection of RWS assets.	X	X	X
13	Promote emergency resiliency of the SF RWS to protect interests of water customers.	X	X	X
14	Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation, including through continuing state oversight (exp. 1/1/2036).	X	X	
15	Due to the SFPUC's potential competing demands for capital and possible future limitations on financing, work to extend the RFA's authority to issue revenue bonds (exp. 1/2030) and explore uses of the RFA to finance projects key to regional water system reliability.		X	X
High Quality Supply & Fair Price: Enforce Water Supply Agreement (WSA)				
16	Enforcement and amendment as necessary, of the WSA to ensure San Francisco meets its financial, water supply, quality, maintenance and reporting obligations.	X	X	X
17	Protection of member agencies' water supply reliability interests against threats by outside forces including efforts by others to drain Hetch Hetchy that disregard their interests in reliability, quality and cost.	X	X	X
18	Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.	X	X	X
19	Extension or renegotiation of the WSA before it expires in 2034. The WSA can be extended 2 times, for a period of 5 years each. By December 2031, SFPUC must notify Wholesale Customers of desire to extend contract.		X	X
20	Management of BAWSCA's revenue bonds in accordance with Bond Indenture and other applicable laws to ensure accountability and ultimately to reduce overall cost to regional water customers (thru 2034).	X	X	
Management of Agency				
21	BAWSCA CalPERS pension & OPEB liability management	X	X	X
22	Ensure Agency's near-term and long-term resiliency	X	X	X

Appendix K: Historical BAWSCA Operating Budgets and Assessments

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

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

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

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

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

Fiscal year	Assessments	% Change	Budget	% Change	Audited Expenses	% of Budget Spent	Transfers from WSA Balance Account	Transfers from Reserve	Notes on Transfers from Reserve & WSA Balance Account	Unspent Funds Transfer to Reserve	Year-End Reserve Balance	Reserve as a % of Budget	# of Full Time Authorized Staff	Major New/Increased Work Plan Focus
2015-2016	\$3,276,889	24%	\$3,201,679	8.93%	\$2,828,503	88.34%				\$453,246 \$352,378 ⁽¹⁾	\$776,620	24%	8	1st year Strategy implementation thru Operating Budget, 2014 Settlement Agmt.
2016-2017	\$3,440,734	5%	\$3,468,008	8.32%	\$2,934,077	84.60%		\$27,274	To fund budget	\$519,167	\$1,202,592	35%	8	RHH litigation, 2014 Settlement Agmt, 2018 decisions, WaterMAP
2017-2018	\$3,543,957	3%	\$3,704,572	6.82%	\$3,318,544	89.58%		\$160,615	To fund budget	\$253,892	\$1,561,144	42%	8	RHH litigation, Bay-Delta Plan, FERC
2018-2019	\$3,579,397	1%	\$4,278,585	15.49%	\$3,996,082	93.40%		\$321,688 \$177,500 \$150,000 \$50,000	To fund budget Los Vaqueros Demand Study To fund budget	\$0	\$1,115,848	26%	8	RHH litigation, Bay-Delta Plan, FERC to participate in LVE Project and to fund Demand Study HB Amendment - Board approved 3/2019
2019-2020	\$3,686,779	3%	\$4,569,750	6.81%	\$4,116,485	90.08%	\$805,000	\$77,971	To fund budget	\$435,266	\$1,037,877	23%	9	Fund LVE participation, Demand Study, FERC, Bay Delta
2020-2021	\$3,686,779	0%	\$4,163,179	-8.90%	\$3,860,044	92.72%	\$197,000	\$333,900 \$142,500	To fund budget To fund budget	\$43,727	\$996,743	24%	9	To fund contract increase for legal counsel; increased BAWSCA approved Operating Budget to offset identified approved expenses for BA funds use HB Amendment - Board approved 3/2021
2021-2022	\$3,871,118	5%	\$4,783,794	14.91%	\$4,400,215	91.98%	\$275,000 \$71,750	\$281,676	To fund budget To fund water conservation digital billboards	\$124,744	\$758,794	16%	9	To fund Demand Study Board approved 3/17/2022
2022-2023	\$4,838,897	25%	\$4,720,885	-1.32%	\$4,297,922	91.04%	\$75,000	-\$193,012 \$30,000 \$56,752	May 2022 Board approved transfer of \$193,012 GR due to 25% increase in FY 22-23 assessments Consultant assistance scoping update 2045 strategy Consultant assistance scoping update 2045 strategy	\$665,592	\$1,046,550	22%	9	May 2022 Board approved transfer of \$193,012 to GR due to 25% assessment increase. Board approved 1/19/23 Board approved 5/18/23
2023-2024	\$4,838,897	0%	\$4,983,419	5.56%	\$4,568,178	91.67%		\$252,752	Hanson Bridgett - \$112,000- Board approved January 2024. \$84,000 Hanson Bridgett - Board approved May 2024.	\$237,018	\$1,459,390	29%	9	HB 1st Amendment - Board approved 1/18/24. HB 2nd Amendment - Board approved 5/16/24.
2024-2025	\$5,274,398	9%	\$5,614,518	12.66%				\$340,120	May 2024 Board approved transfer of \$340,120 GR due to 9% increase in FY 24-25 assessments				9	

Footnotes

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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Approval and Adoption of BAWSCA Pay Schedules for FY 2025-26**

Summary:

As a participating agency in the California Public Employees' Retirement System (CalPERS) and to comply with California Code Regulations (CCR) Title 2 § 570.5 - "Requirement for a Publicly Available Pay Schedule," the Board must approve and adopt pay schedules for BAWSCA staff annually in a specified format as required by CalPERS. The pay schedule for FY 2025-26 is provided in Attachment A. Pay schedules are included as part of the Board's regular consideration of the annual Work Plan and Budget in May, and as part of the CEO/GM performance evaluation.

Recommendation:

That the Board Policy Committee recommend Board approval and adoption of the BAWSCA Pay Schedules for FY 2025-26.

Discussion:

BAWSCA is a participating agency in CalPERS. CalPERS requires that BAWSCA's employees' reportable compensation, which is the compensation that employees' retirement benefits are based on, comply with the California Public Employee's Retirement Law ("PERL") and its regulations, including CCR Title 2 § 570.5 - Requirement for a Publicly Available Pay Schedule.

Historically, BAWSCA increases the top step for salaries in line with inflation.

This year the COLA adjustment, based on the December value of the Consumer Price Index for the Urban Wage Earners and Clerical Workers in the San Francisco-Oakland-San Jose area, is 2.08%. As such, the proposed Publicly Available Salary Schedules have been adjusted as follows:

- An increase to the top step of all non-CEO salaries for FY 2025-26 by 2.08% to ensure that the approved salary ranges stay competitive moving forward; and
- An increase to the top step of the Senior Water Resources Specialist position by 1.8% as approved by the Board at its March 20, 2025 meeting.

Following the Board's action, the approved and adopted Pay Schedules will be posted on BAWSCA's publicly accessible website and formally transmitted to CalPERS. Any adjustments to the pay schedule for the CEO would occur at a future meeting.

Attachment:

1. BAWSCA Pay Schedule for FY 2025-26.

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This document has been prepared for the specific purposes of compliance with California Code of Regulations (CCR) 570.5 and was last approved and adopted by the Board of Directors on November 21, 2024

Salary Schedule Effective July 1, 2025

Classification	Annual Minimum	Annual Maximum
Chief Executive Officer / General Manager	\$179,755	\$344,166
Finance Manager	\$180,487	\$225,609
Water Resources Manager	\$202,502	\$253,128
Senior Water Resources Specialist	\$159,993	\$199,992
Water Resources Specialist	\$127,943	\$159,929
Assistant to the CEO	\$127,212	\$159,015
Office Manager	\$121,128	\$151,410
Office Assistant	\$78,482	\$98,102

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Second Amendment to Hanson Bridgett Professional Services Contract**

Summary:

Activities associated with 1) the development of an amendment to the Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County (WSA) and 2) the retirement of former CEO Sandkulla and the transition to CEO Smegal have required additional legal resources and entail additional use of legal counsel services for FY 2024-2025. As a result, the contract with Hanson Bridgett must be amended to avoid disruption of necessary work to achieve critical results for FY 2024-25. A budget amendment for an additional \$80,000 is recommended to fund necessary work through June 2025 for a revised total not-to-exceed amount of \$985,000.

Fiscal Impact

This recommended contract increase would be funded using budget previously allocated to other outside consultants. Funds are available due to short-term changes in scope of consultant work for 2024-25. No overall change in the operating budget is contemplated.

Recommendation:

That the Committee recommend the Board authorize the CEO/General Manager to amend the professional services contract with Hanson Bridgett by \$80,000 for a total not-to-exceed amount of \$985,000.

Discussion:

Expenses associated with activities to develop an amendment to the WSA, including but not limited to negotiations with the SFPUC on the proposed language of the amendment, has required additional legal resources. Amendments to the WSA are associated with an updated Tier 1 drought allocation formula between SF RWS retail and wholesale customers and the related minimum purchase quantity required of four BAWSCA member agencies (Alameda County Water District, the City of Milpitas, the City of Mountain View, and the City of Sunnyvale). The necessary legal resources to craft and negotiate the amendment go beyond what was anticipated or planned at the time the FY 2024-25 Budget was adopted for reasons outside of BAWSCA's control.

In addition, earlier efforts related to the retirement of CEO Sandkulla and the transition to CEO Smegal were not initially factored into Hanson Bridgett's budget estimate. Legal assistance related to the publication of pay schedules, establishing provisions for former CEO Sandkulla to provide post-retirement advice and transition assistance, and setting-up BAWSCA internal programs to comply with Mr. Smegal's contract provisions were all in addition to the estimated scope of services included in their budget for 2024-25.

Table 1 presents the historical budget information for BAWSCA legal counsel with notations included to identify the reasons for significant budget increases and decreases. Table 2, which is also included as Table A-1 in the Proposed FY 2025-26 Work Plan and Operating Budget memo, presents the contract amounts for legal counsel and a comparison to the % of total BAWSCA operating budget over the past 10 years.

Table 1. Historical Budget Information for BAWSCA Legal Counsel (Hanson Bridgett)

Hanson Bridgett	Original Contract	Year End Contract	Actual Year End Expense	Budget vs. Expenses	Operating Budget	Notes
FY 13-14	\$496,000	\$601,000	\$600,983	100%		April/May 2014-additional \$105k reallocated from other expense categories, including contingency; no change to op. budget (CEO and staff transition)
FY 14-15	\$524,000	\$624,000	\$588,715	94%	\$2,939,286	May 2015-additional \$100k from other expense categories, including contingency; no change to op. budget (WSA administration)
FY 15-16	\$586,500	\$586,500	\$556,148	95%	\$3,201,679	
FY 16-17	\$651,000	\$726,000	\$627,874	86%	\$3,468,008	May 2017-additional \$75k - \$57k from contingency & \$17.5k from Terry Roberts; no change to op. budget (WSA administration, HH litigation)
FY 17-18	\$669,000	\$669,000	\$605,442	90%	\$3,704,572	
FY 18-19	\$669,000	\$919,000	\$919,000	100%	\$4,278,585	March 2019-additional \$150k; \$57.5k from contingency, \$50.k from General Reserve, \$42.5k from other unspent funds; \$50k added to operating budget. May 2019 - additional \$100k reallocated from other expense categories; no change to operating budget
FY 19-20	\$799,500	\$819,000	\$818,000	100%	\$4,569,750	June 2020 - \$19.5 reallocated from other expense categories; no change to operating budget
FY 20-21	\$606,500	\$1,006,500	\$994,910	99%	\$4,360,179	March 2021 - \$200k from General Reserve (\$100k for SWRCB/BayDelta & \$100k for 2009 Agreement Fair Pricing). May 2021 - \$200k SWRCB/Bay Delta - \$197k from Balancing Account & \$3k from Terry Roberts
FY 21-22	\$723,500	\$748,499	\$748,590	100%	\$4,799,544	June 2022 - \$24,999 SWRCB/Bay Delta - reallocated from West Yost
FY 22-23	\$781,500	\$856,499	\$856,492	100%	\$4,750,885	May 2023 - increase \$50k - reallocated from R. Sykes. June 2023 - increase \$24,999 reallocated from Assist Update Scoping Strategy
FY 23-24	\$779,000	\$990,000	\$980,585	99%	\$5,067,419	January 2024 \$112k from General Reserve. May 2024 \$84k from General Reserve. \$196k increase to operating budget. June 2024 \$15k reallocated from R. Sykes.
FY 24-25	\$880,000					January 2025 - \$25k reallocated from contingency.

Table 2. Historical Legal Counsel Contract Amounts

Fiscal Year	Contract Amount	% of Total BAWSCA Operating Budget
2014-15	\$624,000	21%
2015-16	\$586,500	18%
2016-17	\$726,000	21%
2017-18	\$669,000	18%
2018-19	\$919,000	21%
2019-20	\$819,000	18%
2020-21	\$1,006,500	23%
2021-22	\$748,499	16%
2022-23	\$856,499	18%
2023-24	\$990,000	20%
2024-25	\$905,000 ¹	16%

¹ As of March 31, 2025

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **BAWSCA’s Long-Term Reliable Water Supply Strategy 2050 – Risk Assessment and Scenario Planning**

Summary:

This memorandum provides an update on the development of BAWSCA’s Long-Term Reliable Water Supply Strategy (Strategy 2050), including details on the risk assessment and scenario planning efforts that are currently in progress.

An initial task of Strategy 2050 includes the review of potential risks impacting water supply reliability to the BAWSCA region, such as climate change, evolving regulations, and other uncertainties at both the local agency and regional level. To consider the range of potential future outcomes and incorporate the range of identified uncertainties, Strategy 2050 includes a scenario planning approach.

To inform development of the scenarios to be considered in Strategy 2050, input from the BAWSCA Water Management Representatives (WMR) has been collected through two workshops. Input from BAWSCA Board members on the key drivers of change and uncertainty will be requested at the April Board Policy Committee (BPC) Meeting and May Board Meeting. Discussion questions for the BPC Meeting are provided herein.

Recommendation:

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

Discussion:

In January 2025, BAWSCA initiated the development of the Long-Term Reliable Water Supply Strategy (Strategy 2050). An initial task includes the review of potential risks impacting water supply reliability to the BAWSCA region, such as climate change, evolving regulations, and other uncertainties at both the local agency and regional levels. To consider the ranges of potential future outcomes and identified uncertainties, Strategy 2050 includes a scenario planning approach.

Scenario planning is a structured approach to thinking about the future. Its goals are to identify key drivers of change, develop plausible narratives of possible futures, and identify and evaluate potential interventions (i.e., projects, programs, and/or policies) to support favorable outcomes. Though the focus of BAWSCA’s Strategy 2050 is water supply reliability, the four scenarios are broader in concept and will consider foundational environmental, societal, regulatory, and socioeconomic uncertainties that will shape conditions in the BAWSCA region through 2050. The Strategy 2050 scenario planning effort will establish how these foundational drivers link to the need for and availability of water in the Bay Area.

The scenario planning for Strategy 2050 is anticipated to closely align with the sensitivity analysis being undertaken as part of the BAWSCA Demand Study. Specifically, the scenarios for the Demand Study will provide the demand inputs for the Strategy 2050 scenario planning.

To support the development of the scenarios to be evaluated, input from the BAWSCA WMR has been collected through two workshops and will be shared during the April BPC Meeting. During the first Scenario Planning Workshop on February 19, 2025, key local and regional drivers of change were identified and prioritized. Workshop participants, including staff from member agencies, first identified water supply reliability risks individually. Then, in small groups, they evaluated and ranked these drivers based on their relative impact to water supply reliability and their degree of uncertainty.

Collectively, participants identified over 50 drivers of change. Workshop participants had near consensus on the most impactful and uncertain drivers, including:

- Climate Change
- Changes in drought frequency/intensity
- The Bay Delta Plan
- State issued supply restrictions (e.g., curtailments)
- State & federal infrastructure development
- Demand changes
- Affordability
- Funding

Workshop participants also identified several drivers that are likely to be impactful but have higher certainty in occurrence and scale, including:

- Water quality issues and related regulations / necessary infrastructure investments
- Aging infrastructure

In addition, to ensure continued collaboration and input throughout the development of Strategy 2050, input from BAWSCA Board members on the key drivers of change and uncertainty will be requested at the April BPC Meeting and May Board Meeting.

At the April BPC meeting, the BPC members will be asked to provide input on the following questions:

- What major challenges do you foresee for the BAWSCA region over the next 25 years?
- What potential risks or drivers could impact economic growth within the region over the next 25 years?
- What types of data, information, or projections would be most useful to inform relevant regional policy decisions?

By engaging in this discussion, BAWSCA aims to ensure that Strategy 2050 reflects a comprehensive understanding of potential future conditions and incorporates the insights of key stakeholders in the decision-making process.



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MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Tom Smegal, CEO/General Manager
DATE: April 4, 2025
SUBJECT: Chief Executive Officer/General Manager’s Letter

Bay Delta Plan - Update:

In late 2024, the State Water Resources Control Board (State Board) hosted 5 workshops where State Board staff gave public presentations on a proposed draft update to the portion of the Bay-Delta Water Quality Plan that focused on the Sacramento River watershed and its tributaries (i.e., the Phase 2 Bay-Delta Plan Update). Interested parties, such as water agencies and environmental groups, also made presentations at the workshops.

Note that the Tuolumne River is part of the portion of the Bay-Delta whose tributaries drain into the San Joaquin River and is part of the Phase 1 Bay-Delta Plan Update.

There were questions raised by participants during the State Board Workshops referenced above. The State Board determined that additional meetings should be held to allow for deeper discussion and dialogue with interested parties. 11 working group meetings were organized for such a purpose. Those meetings took place from January through March of 2025. The SFPUC attended all 11 meetings, while BAWSCA attended a subset. All meetings were held virtually. Since the Tuolumne River Healthy Rivers and Landscapes Program (HRLP) has components, such as flow releases, that have been incorporated into Phase 2’s HRLP, it was important that the SFPUC and BAWSCA monitor meeting discussions.

The State Board is currently reviewing feedback received during the 11 working group meetings and 5 workshops. BAWSCA understands that feedback may be used to adjust the regulatory approach detailed in the Phase 2 draft update, and in turn that it may be used by the State Board as they consider a proposed Tuolumne River Healthy River and Landscape Program (HRLP). The BAWSCA Board will be kept informed as additional information is made available by the State Board.

Hetch Hetchy 2025 Tour – Additional Fall Date:

As previously announced via email to the Board on February 13th, a Hetch Hetchy Tour is scheduled for June 17-18, 2025. A second tour was being considered for the Fall, and the dates of October 20-21, 2025 has been secured with the SFPUC.

BAWSCA highly encourages Board Members’ participation in the tours as it provides valuable information essential to representing the interests of water users in the BAWSCA region.

Because space is limited, participation in the tour is on a first come first served basis with priority given to Directors who have never participated in a Hetch Hetchy tour before.

Please email Lourdes Enriquez at lenriquez@bawasca.org if you would like to participate in one of the tours:

- **June 17-18 Tour: RSVP by May 9, 2025**
- **October 20-21 Tour: RSVP by September 12, 2025**

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Board Policy Committee Policy Calendar Through February 2026

Meeting Date	Purpose	Issue or Topic
June 2025	R&D	Review of CEO/General Manager Evaluation Procedure Review of CEO/General Manager Publicly Available Pay Schedule
	R	Review of Water Supply Forecast
August 2025	R&D	BAWSCA's Strategy 2050
	R	2025 Demand Study
October 2025	D&A	Annual Review & Consideration of BAWSCA's Statement of Investment Policy
	R&D	BAWSCA's Strategy 2050
December 2025	D&A	Mid Year 2025-26 Work Plan, Budget and General Reserve Review
	D&A	Proposed FY 2026-27 Bond Surcharges
	R&D	Review of 2026-27 Work Plan and Budget Planning Process
	R&D	BAWSCA's Strategy 2050
February 2026	R&D	Presentation of Preliminary FY2026-27 Work Plan
	R	Review of Water Supply Forecast
	R	Review of Regular Consultant Rates