



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

on February 12, 2025 at 1:30PM

will be held at a different location

**Burlingame Library – Lane Room
480 Primrose Rd, Burlingame, CA 94010**

Please note that this meeting **will not** be livestreamed due to technical obstacles.

A recording will be posted on the BAWSCA website following the meeting.

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

See next page for Agenda



BOARD POLICY COMMITTEE

February 12, 2025
1:30 p.m.

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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)	Pg 3
2. <u>Comments by Chair</u>	(Hardy)	
3. <u>Consent Calendar</u> A. Approval of Minutes from the December 11, 2024 meeting (<i>Attachment</i>)	(Hardy)	Pg 5
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 Calendar</u> A. Results of Bi-Annual Staff-Level Salary Total Compensation Study (<i>Attachment</i>) <u>Issue:</u> Is compensation for BAWSCA staff positions consistent with comparable positions in the Bay Area market? <u>Information to Committee:</u> Memorandum presenting results of a recent compensation survey by Koff and Associates. <u>Committee Action Requested:</u> That the Committee recommend Board approval of the proposed action.	(Smegal)	Pg 13
6. <u>Reports and Discussion Items</u> A. Preliminary Fiscal Year 2025-26 Work Plan and Results to be Achieved (<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 Preliminary Fiscal Year 2025-26 Work Plan and Results to be Achieved.	(Smegal)	Pg 15

Committee Action Requested:

1. Comments and suggestions concerning the Preliminary Fiscal Year 2025-26 Work Plan and Results to be Achieved.
2. Feedback on presented results from January 16, 2025 Work Plan and Budget Planning Session.
3. Suggestions concerning presentation of the Preliminary Work Plan and Operating Budget to the Board of Directors in March.

B. BAWSCA's Pension Liability Alternative Funding Options

(Tang) Pg 33

Issue: What are the alternative funding options available for BAWSCA to pay down the unfunded pension liabilities?

Information to Committee: Oral Report

Committee Action Requested: Questions and comments

7. CEO Reports

(Smegal)

- A. Water Supply and Demand Update
- B. Bay Delta Plan/FERC Update
- C. New Tier 2 Plan Update
- D. CEO's Letter (*Attachment*)
- E. Board Policy Committee Calendar (*Attachment*)
- F. Correspondence Packet ([Under Separate Cover](#))

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8. Closed Session

(Schutte)

- A. **Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 Federal Energy Regulatory Commission Final License Application Proceedings for Don Pedro Hydroelectric Project, P-2299-082, and La Grange Hydroelectric Project, P-14581-002.**
- B. **Conference with Legal Counsel – Existing Litigation pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9 - State Water Board Cases (Third Appellate District Court Case No. C101232).**

9. Report from Closed Session

(Schutte)

10. Comments by Committee Members

(Hardy)

11. Adjournment to the Next Meeting

(Hardy)

April 9, 2025 at 1:30pm

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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

December 11, 2024 – 1:30 p.m.

MINUTES

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

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

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

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

3. **Consent Calendar:**

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

The motion passed by roll call vote with one abstention by Director Zigterman.

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

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

5. **Action Calendar:**

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

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

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

The proposed FY 2025-26 Bond Surcharges reflects savings from the original prepayment program in 2013 and the refunding completed in 2023. The total net present value savings from the recent bond transaction and the prepayment program

is approximately \$6 million per year from 2023 to 2034, when the bonds will be paid off.

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

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

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

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

The motion passed by roll call vote.

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

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

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

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

Reliable Supply

1. **Facility Reliability** includes BAWSCA's oversight of SFPUC's Water System Improvement Program (WSIP), 10-year Capital Improvement Program, Asset Management and Emergency Response. Work plan items in this area are in good standing, including SFPUC's recent release of its FY 2024 State of the Regional Water System Report in which BAWSCA's comments, through its active participation in the process, were incorporated.

2. **Long-term Water Supply Solutions** includes a suite of ongoing efforts that implements BAWSCA's current water supply strategy. Two of BAWSCA's biggest initiatives in this area are Strategy 2050 and the 2025 Regional Water Demand Projections Update. All efforts are on track.

3. **Near-term Water Supply Solutions** includes work on demand management, and water conservation and drought response. While all efforts are on schedule, Mr. Smegal highlighted BAWSCA's active role in supporting member agencies' compliance with the State's new "Making Water Conservation a California Way of Life" requirements. BAWSCA held a workshop with Valley Water as a regional effort to assist agencies with the interpretation, development and implementation of efforts to comply with the new regulation.

4. **Actions to Protect Member Agencies' Water Supply and Financial Interests in the Administration of the Water Supply Agreement (WSA):**

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

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

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

High Quality:

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

Fair Price and Maintaining Allies:

9. **Working on Matters that Members Delegated to BAWSCA in the WSA** is a critical role for BAWSCA. It is the area of focus in which BAWSCA analyzes and audits SFPUC's costs to the wholesale customers annually through the Wholesale Revenue Requirement process. Mr. Smegal reported that BAWSCA is currently analyzing and auditing multiple fiscal year reports due to SFPUC's delays in presenting its financials over the last couple of years. BAWSCA is managing it well.

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

Agency Effectiveness:

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

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

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

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

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

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

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

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

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

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

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

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

Director Zigterman made a motion, seconded by Director Chambers, that the Board Policy Committee recommend Board approval of the following changes to the FY 2024-25 Work Plan:

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

The motion passed unanimously by roll call vote.

6. CEO Reports:

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

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

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

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

BAWSCA's engagement is important. Mr. Francis attended and will continue to attend the workshops to stay aware of what transpires and take note of concerns and

significant comments that may or may not play into the adoption or consideration of Phase 1 by the State Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

✓: present

☎: Teleconference

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

BAWSCA Staff:

Tom Smegal	CEO/General Manager
Nicole Sandkulla	Transition CEO/General Manager
Tom Francis	Water Resources Manager
Christina Tang	Finance Manager
Danielle McPherson	Sr. Water Resources Specialist
Negin Ashoori	Sr. Water Resources Engineer
Lourdes Enriquez	Asst. to the CEO/General Manager
Deborah Grimes	Office Manager

Allison Schutte

Legal Counsel, Hanson Bridgett

Public Attendees:

Alison Kastama SFPUC

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Results of Bi-Annual Staff-Level Salary Total Compensation Study**

Summary:

A compensation survey was performed to determine whether top-step compensation for BAWSCA staff positions remain consistent with comparable positions in the Bay Area market.

Fiscal Impact:

There is no fiscal impact to the current FY 2024-25 Operating Budget.

Recommendation:

That the Board Policy Committee recommend that the board approve adjustments to top-step compensation for one position.

Discussion:

Each year BAWSCA adjusts top step compensation by a factor approved by the Board of Directors as part of the annual budget process. These adjustments are made in an effort to maintain compensation ranges that are competitive with comparable positions in the Bay Area market.

Every two years a compensation survey is performed to ensure that comparability is in fact maintained. Historically, BAWSCA has used the median of the market to define the desired compensation level for its staff positions. The previous compensation survey completed in FY 2022-23 resulted in adjustments to all positions from +1.1% to +7.7% with Board approval.

In December 2024, Koff and Associates completed a review of BAWSCA's position descriptions, the comparability of the positions with similar positions at other Bay Area agencies and provided data on top-step compensation.

Results:

The current survey showed that the current top-step compensation for all BAWSCA staff positions except the Senior Water Resources Specialist/Engineer are in line with the market median.

The survey results appear in Table 1, together with the recommended adjustments.

Table 1. Comparison of FY 2024-25 Top Step Compensation for Each Staff Position to Survey Results Based on the Median of the Market for Comparable Positions*

Position Title	Current top step compensation (FY 2024-25), dollars per yr.	Market median (FY 2024-25), dollars per yr.	Difference, percent	Recommended change, percent
Sr. Water Resources Specialist/Engineer	192,450	195,840	-1.8	+1.8

**For exempt positions, “top step compensation” is equivalent to annual salary. For non-exempt positions, “top step compensation” is equivalent to one year of hourly wages without overtime.*

Total compensation (salary plus benefits) was also evaluated as part of the compensation survey. The results show BAWSCA’s benefits is in line with benefits offered at the other comparator agencies.

Application of Results

If approved by the Board, the recommended adjustment would be made to the top-step compensation for the Senior Water Resources Specialist/Engineer.

The salary shown in the survey represents currently paid compensation and are compared to BAWSCA’s current top-step compensation. For FY 2025-26 budgeting purposes, any Board approved Cost-of-Living (COLA) adjustment would be applied to the newly adjusted top-step compensation, if approved. The COLA adjustment maintains compensation in line with the market that will exist next year. The resulting approved compensation values would go into effect as of July 1, 2025.

Any adjustments to compensation paid to incumbent employees would be determined separately by the CEO following annual performance appraisals but would remain at or below the approved top-step, including any approved COLA adjustment, for each position.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **Preliminary Fiscal Year 2025-26 Work Plan and Results to be Achieved**

Summary:

This memorandum presents the preliminary Fiscal Year 2025-26 Work Plan and results to be achieved. Comments received from the Board at the January 16, 2025 Work Plan and Budget Planning Session have been reviewed and addressed. The preliminary Work Plan includes the CEO/General Manager's recommendations for addressing comments received during the Budget Planning Session. As discussed with the Board in January, this memorandum does not present a preliminary Operating Budget. Initial Operating Budget considerations will be included in the staff presentation. The Board will be presented with a preliminary Work Plan and Operating Budget at its March meeting.

The preliminary 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 the 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 preliminary work plan is provided in the Discussions section of this memorandum.

Recommendation:

That the Committee provide:

- 1. Comments and suggestions concerning the preliminary Fiscal Year 2025-26 Work Plan and results to be achieved;**
- 2. Feedback on presented results from the January 16, 2024 Work Plan and Budget Planning Session;**
- 3. Suggestions concerning presentation of the preliminary Work Plan and Operating Budget to the Board of Directors in March.**

Discussion:

Preliminary Work Plan

Next year's Work Plan addresses all of the anticipated issues and results to be achieved discussed with the Board Policy Committee on December 11, 2024 and with the Board on January 16, 2025.

The Preliminary 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;

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- 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 and engage 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 Joint Water Quality Committee;
 - Relaying important water quality information to members and SFPUC as necessary; and
 - Review and act 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 draft preliminary 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 preliminary Work Plan. 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.

New or Significantly Re-scoped Activities for FY 2025-26

In FY 2025-26, BAWSCA has significant work efforts that originated in FY 2024-25. From a resource availability and work priority perspective, BAWSCA must continue to devote the significant resources needed to move those activities toward completion versus implementing new work activities. Activity re-scoping is not proposed for FY 2025-26.

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

There are two major multi-year projects included in the preliminary 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 approach allows for a discrete project budget, one 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 preliminary 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: \$254,488**

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 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.

Analysis of BAWSCA Current Staff Resources and Its Impact on the Preliminary FY 2025-26 Work Plan:

In preparing the preliminary Work Plan, necessary hours for all nine BAWSCA staff members were allocated to each individual work plan item to ensure sufficient staff resources are available to achieve not simply the work plan item but also the collective work plan results. Care is taken to balance the work plan such that the proposed workload does not exceed staff's ability, from a time available perspective, to manage their assignments and ensure that the work plan results are delivered for the water customers.

The staff workload analysis for the preliminary Work Plan includes an estimate of hours allocated for each assignment they are given. From there, an estimated Full Time Equivalent (FTE) employee time commitment is then calculated for each assignment and for the total of all assignments individual employees have. The FTE calculation assumes that each employee has 1,920 hours/year available, which equates to 100% allocation (or 1 FTE). Note that 1,920 hours/year reflects the number of working hours deducting four weeks for vacation and sick time.

For FY 2025-26, the resulting staff analysis is presented in Chart 1. While it identifies that all staff have an allocation of above 100% of an FTE, only the CEO/General Manager's allocation is deemed as unusually high at 150% of an FTE. The remaining staff are well below 150%. BAWSCA's past experience is that a 150% allocation can be mitigated by careful time planning

by the CEO/General Manager. Table 2 presents the estimated staff hours, and the combined staff FTE by major work plan item. Overall, it is estimated that 20,628 staff hours, or 10.7 FTEs, will be required to implement the preliminary FY 2025-26 Work Plan. For comparison purposes, for FY 2024-25, BAWSCA had an approved staffing level of 9 FTEs and a projected total of 21,445 staff hours estimated as needed for work plan implementation.

It is important to note that staff availability could be compromised if certain work plan items being undertaken in FY 2024-25 take longer to complete than planned and extend into FY 2025-26 (e.g. Tier 2 negotiations) or if new, unforeseen projects come to light and that must be added as a work priority during the fiscal year. The Board is kept apprised when and if such events take place, and that appraisal includes a proposed approach to adjusting the work plan.

Results of January 16, 2025 Work Plan and Budget Preparation Planning Session:

During BAWSCA's January 16, 2024 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 4 presents the detailed comments provided by Board members during the planning session and the staff response that was subsequently prepared. These comments and responses are reflected in the preliminary 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 5 lists these activities and updated long-term future challenges as part of the FY 2025-26 preliminary Work Plan development through 2065. In each case, the results identified in Table 5 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 1. Draft Preliminary FY 2025-26 Work Plan and Results to Be Achieved
(New/Expanded Items Shown in Blue Italic and Bold Font)

BAWSCA OBJECTIVE & PRELIMINARY FY 2025-26 WORK PLAN ITEM	
	RELIABLE WATER SUPPLY
	1. Facility Reliability: Monitor SFPUC’s WSIP, 10-Year Capital Plan, Asset Mgmt. Program, and Emergency Response
	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.
	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. Engage with the SFPUC on their preparation of the 2026 State of the Regional Water System Report (due to BAWSCA in FY 2026-27)
	2. Long-Term Supply Solutions: Implement BAWSCA’s Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When needed
	a. Continue the development of BAWSCA’s Long-Term Reliable Water Supply Strategy 2050 (Strategy 2050).
	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.
	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. Conduct initial scoping evaluation of the Regional Financing Authority’s (RFA’s) available financing options

BAWSCA OBJECTIVE & PRELIMINARY FY 2025-26 WORK PLAN ITEM	
	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, 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. Implement the updated Tier 2 Plan (assumes adoption of the updated Tier 2 Plan in FY 2024-25).
	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 (assuming the adoption of the WSA Amendment in FY 2024-25).</i>
	5. <u>Protect Members’ Interests in a Reliable Water Supply</u>
	a. Participate in SWRCB Bay Delta Plan Update to ensure members’ interests are represented, including ongoing legal intervention.
	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.

BAWSCA OBJECTIVE & PRELIMINARY FY 2025-26 WORK PLAN ITEM	
	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.
	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.

BAWSCA OBJECTIVE & PRELIMINARY FY 2025-26 WORK PLAN ITEM	
	11. <u>Manage the Activities of the Agency Professionally and Efficiently</u>
	a. Implement Board policy directives for management of BAWSCA’s unfunded OPEB and pension liability obligations.
	b. Maintain a motivated, trained, and effective Workforce.
	<i>c. Manage and interact with the Consultant selected to serve as BAWSCA's Human Resources Services provider</i>
	d. 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.

Chart 1. Staff Resource Analysis for Preliminary FY 2025-26 Work Plan

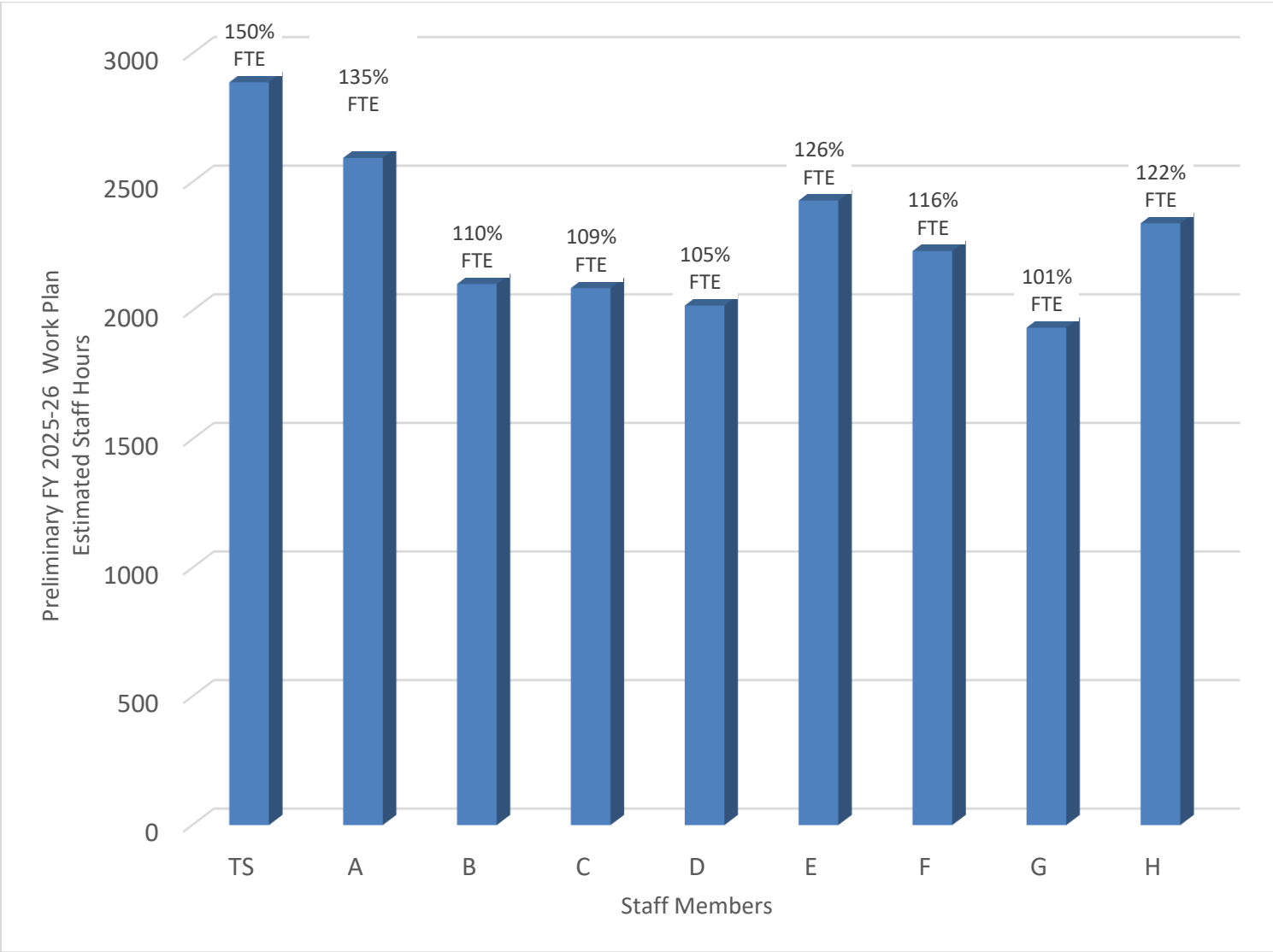


Table 3. Estimated Staff Hours and Full Time Equivalent (FTE) by Preliminary FY 2025-26 Work Plan Item

Staff Hours (Est.)	# of FTE (Est.)	Results to be Achieved in FY 2025-26
		RELIABLE WATER SUPPLY
820	0.4	1. Facility Reliability: Monitor the SFPUC’s WSIP, 10-Year CIP, Asset Management Program, and Emergency Response
3,092	1.6	2. Long-Term Supply Solutions: Implement Strategy to Ensure a Reliable, High Quality Supply of Water is Available Where and When Needed
4,191	2.2	3. Near-term Supply Solutions: Water Conservation and Drought Response
1,202	0.6	4. Take Actions to Protect Members’ Water Supply and Financial Interests in Water Supply Agreement (WSA) Administration
540	0.3	5. Protect Members’ Interests in a Reliable Water Supply
848	0.4	6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts
306	0.2	7. Reporting and Tracking of Water Supply and Conservation Activities
		HIGH QUALITY WATER
170	0.1	8. Support Member Agencies in Receiving Reliable Communication of Water Quality Issues
		FAIR PRICE
2,560	1.4	9. Perform Matters that Member Agencies Delegated to BAWSCA in the Water Supply Agreement
		AGENCY EFFECTIVENESS
730	0.4	10. Maintain Community Allies and Contacts with Environmental Interests
6,169	3.2	11. Manage the Activities of the Agency Professionally and Efficiently
20,628	10.7	TOTAL Estimated Staff Hours and FTE to Implement Preliminary FY 2025-26 Work Plan

Note: For FY 2025-26, BAWSCA has an approved staffing level of 9 FTE for a total of 17,280 staff hours.

Table 4. FY 2024-25 Work Plan and Budget Planning Session – 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 Improvement Program (CIP), included in the FY 2025-26 work plan, pays close attention to the potential rate impacts of implementing their CIP.

#	Board Member	Board Member Comment/Question	Staff Response
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.

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Table 5: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (FY 2025-26)
(Recommended Changes Identified in Underlined, Blue, Italic Bold Font)

BAWSCA Goal and Associated Challenges		FY 2025-26 (Near-Term)	2025-2040 (Mid-Term)	2040-2065 (Long-Term)
Reliable Supply: Ensure Long-Term Water Supply Reliability				
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	<u><i>Ratification and implementation of the new Tier 2 Drought Allocation Plan.</i></u>	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	<u><i>Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation, including through continuing state oversight (exp. 1/1/2036).</i></u>	X	X	
15	<u><i>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.</i></u>		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

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BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE MEETING

Agenda Title: **BAWSCA’s Pension Liability Alternative Funding Options**

Summary:

At the Board meeting held in November 2024, staff presented an update on BAWSCA’s pension liability funded status. The Board asked staff to analyze options available for BAWSCA to contribute additional funding to pay off BAWSCA’s unfunded pension liability faster. This memo presents the findings of a recent analysis.

Per the latest CalPERS actuarial valuation as of June 30, 2023, BAWSCA’s projected pension Unfunded Accrued Liability (UAL) as of June 30, 2025 is \$1,264,815. This is estimated to be paid off by 2045 based on the current amortization schedule and a discount rate of 6.8%.

Fiscal Impact:

The information from the latest CalPERS actuarial valuation report as of June 30, 2023 will be used in BAWSCA’s FY 2025-26 Operating Budget preparation process. BAWSCA’s minimum CalPERS required employer contribution towards the 6/30/2025 UAL for FY 2025-26 is \$106,946. This figure does not include the Normal Cost contributions.

Recommendation:

This item is for informational purposes only. Feedback from the BPC on the alternative pension liability funding options and next steps are requested at this time.

Discussion:

CalPERS retirement benefits are defined benefits based on a formula, rather than contributions and earnings to a savings plan. Every year, CalPERS provides BAWSCA an actuarial valuation report that includes the latest pension trust funded status and the minimum required employer contributions for the next fiscal year. The minimum required employer contribution is the sum of the Normal Cost (expressed as a percentage of total active payroll) plus the amortization of the UAL.

Per the latest CalPERS actuarial valuation, BAWSCA’s projected UAL as of June 30, 2025 will be \$1,264,815, which is scheduled to be paid off by 2045. The UAL represents the liability for service that has been earned but not funded. Based on the current amortization schedule, BAWSCA’s minimum required employer contribution towards the UAL for FY 2025-26 is \$106,946.

Voluntary Additional Pension UAL Funding Options

In light of the rise and volatility of CalPERS pension costs, many public agencies have voluntarily chosen to set aside or contribute additional funding to address their long-term pension liabilities. As requested by the Board, BAWSCA staff has identified four options available for BAWSCA to pay off the UAL faster than the current schedule.

Option 1: Make Additional Discretionary Payments (ADPs) to CalPERS

CalPERS allows employers to make ADPs at any time and in any amount. These optional payments serve to reduce the UAL and can result in significant long-term savings. Making an ADP

during a fiscal year does not require an ADP be made in any future year.

BAWSCA has analyzed the information provided in the latest CalPERS actuarial valuation as of June 30, 2023 and consulted with CalPERS actuary. The estimated present value savings associated with different amount of ADPs each year based on three target amortization periods are illustrated in Table 1.

Option 2: Re-amortize Annual UAL Contributions to CalPERS

CalPERS also allows employers to pay off the UAL more quickly than required based on alternative “fresh start” amortization schedules. If BAWSCA would like the total UAL to be paid off in a shorter amortization term, its minimum annual required employer contribution towards paying down the UAL would be increased to a higher amount, which would be paid each year until the 6/30/2025 UAL is paid off. Given that the total UAL contributions will fluctuate each year depending on how actual CalPERS experience differs from the actuarial assumptions in the future, among other factors, the post re-amortization minimum annual required employer contribution towards paying down the UAL is expected to change from year to year.

The estimated annual UAL payment and the estimated present value savings based on three re-amortization schedules are also illustrated in Table 1.

Option 3: Establish An Irrevocable Pension 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 additional funds that are invested in the trust would accumulate interest earnings and serve as contingency funds available to mitigate an agency’s long-term pension contribution volatility. However, the funds accumulated in a pension prefunding trust do not directly reduce the UAL or have any impact on CalPERS’ estimated UAL payoff schedule presented in its annual actuarial valuation report until the funds in the trust are used to pay down the UAL.

BAWSCA has consulted with its actuary, who suggests the agency to keep its prefunding contributions with CalPERS, unless the agency expects to make a significantly higher investment return in a separate trust. CalPERS’ current expected long-term rate of return is 6.8%, which is higher than one of the trust provider California Employers’ Pension Prefunding Trust (CEPPT)’s expected rate of return range between 4.9% and 5.4%.

Given the factors described above, BAWSCA did not include Option 3 in the financial impact analysis but can analyze this option further if the Board would like BAWSCA staff to do so.

Option 4: Pension Obligation Bonds (POBs)

POBs are long-term debt issued to prepay all or a portion of UAL. According to BAWSCA’s financial advisor, the POBs are typically sold under a theory of law that avoids the need for voter approval, require judicial validation in Superior Court, are sold at taxable rates due to federal tax law, and have been issued when taxable rates were significantly lower than the interest rate used in amortizing UAL. With the rise in interest rates following 2021, POB issuance has curtailed significantly. POBs also represent a form of risk arbitrage due to borrowing in one market (low risk municipal bonds) and reinvesting proceeds in another market (high risk pension portfolio). The investment of POB proceeds concentrate investment risk into a single point in time, in contrast to making periodic payments over time, where the investor is more protected from short-term volatility. Accordingly, market results shortly after POB issuance/investment may have a significant influence on the long-term success of the POB alternative.

It is not unusual to finance only a portion of UAL in POB issuance. Given that BAWSCA's UAL is \$1.26 million, a very small POB issuance may not be economical in light of the upfront costs that would be involved and a significant effort that may be needed to develop the repayment mechanism (i.e, an additional surcharge), as well as additional ongoing administration by staff.

For the above reasons, BAWSCA did not include Option 4 in the financial impact analysis but can analyze this option further if the Board would like BAWSCA staff to do so.

Estimated Financial Impact of Alternative Funding Approaches

As illustrated in Table 1, the present value savings under both ADP method and the re-amortization method are the same, assuming the ADPs follow the re-amortization schedule. The difference between the two methods is that the ADPs may be changed any year, while the post re-amortization UAL payment is locked and cannot be changed. The findings of the analysis are summarized below:

- Targeting the UAL to be paid off in 15 years, by 2040, an additional annual payment of \$26,000 is needed and is estimated to result in present value savings of approx. \$13,000.
- Targeting the UAL to be paid off in 10 years, by 2035, an additional annual payment of \$66,000 is needed and is estimated to result in present value savings of approx. \$72,000.
- Targeting the UAL to be paid off in 5 years, by 2030, an additional annual payment of \$190,000 is needed and is estimated to result in present value savings of approx. \$134,000.

Please note that the additional annual payments assume CalPERS current actuarial assumptions remain unchanged and CalPERS' experience exactly match its actuarial assumptions in the future. In reality, the Annual UAL Payment is expected to change from year to year depending on actual experience compared to the actuarial assumptions and methodology changes, among other factors. In addition, the savings calculated under the alternative approaches are estimated based on CalPERS assumed annual investment return of 6.8% and a discount rate of 4.5% per year for the present value calculations. The estimated amortization payments are calculated assuming a one-time payment in the middle of the fiscal year. If the payments are made earlier or later in the fiscal year, the present value savings may need to be adjusted accordingly.

These calculations also assume a uniform increase in payment. If the Board were to choose Option 1 and make irregular ADPs as budgets permit, the present value of savings would necessarily be different than shown above.

Next Steps

Feedback from the BPC on this information is requested and will be included in the preparation of BAWSCA's FY 2025-26 Operating Budget.

Attachment:

Table 1. Alternative UAL Amortization Payment and Estimated Savings

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Table 1. Alternative UAL Amortization Payment and Estimated Savings¹

Funding Approach (Amortization Years)	Estimated UAL Payoff Year	Estimated Normal Cost	Minimum UAL Required Payment (FY25-26) ²	Total Annual Contribution to CalPERS (Minimum Only)	ADP Method (Option 1)				Re-amortization Method (Option 2)		
					Annual ADP Payment ³	Annual UAL Payment	Total Annual Contribution to CalPERS	Estimated PV Savings ⁵	Annual UAL Payment ⁴	Total Annual Contribution to CalPERS	Estimated PV Savings ⁵
Minimum Only (Current Method)	2045	\$179,522	\$106,946	\$286,468							
15	2040				\$25,738	\$132,684	\$312,206	\$13,000	\$132,684	\$312,206	\$13,000
10	2035				\$65,700	\$172,646	\$352,168	\$72,000	\$172,581	\$352,103	\$72,000
5	2030				\$189,952	\$296,898	\$476,420	\$134,000	\$296,898	\$476,420	\$134,000

Notes:

1. Payments based on the projected UAL as of June 30, 2025, as determined in the June 30, 2023 actuarial valuation, with Misc and PEPRA accounts combined. Savings based on CalPERS Actuary's estimates as of February 3, 2025.
2. CalPERS calculates its Minimum UAL Required Payment each year, based on the assumed discount rate and the actual investment performance in prior year. CalPERS expects the Minimum UAL Required Payment to increase in the following years.
3. The Annual ADP Payment shown are the amounts needed to achieve the amortization period in the first column. The ADPs may be changed any year.
4. Under the Re-amortization Method, the Annual UAL Payment to amortize the 6/30/25 UAL of \$1.264M is not expected to change, however, the total UAL contribution may change from year to year depending on actual experience vs. the actuarial assumptions and methodology changes, among other factors.
5. The present value savings under both alternative methods are the same, assuming the ADPs follow the re-amortization schedule, based on a discount rate of 4.5%. Based on data provided by CalPERS, there is no significant interest rate savings for shorter terms.

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MEMORANDUM

TO: BAWSCA Board of Directors
FROM: Thomas Smegal, CEO/General Manager
DATE: February 7, 2025
SUBJECT: Chief Executive Officer/General Manager’s Letter

Strategy 2050:

The development of Strategy 2050 officially commenced on January 1, 2025, and is projected to continue through January 2027. As part of this initiative, BAWSCA will host an in-person workshop with the Water Management Representatives (WMRs) on February 19, 2025. This workshop will mark the official kickoff of the project, providing an opportunity to review the upcoming tasks, timeline, and overall approach for Strategy 2050. The primary objective of the meeting is to ensure alignment with the WMRs on the project’s work plan and to establish a shared understanding of the strategy’s goals.

In addition to reviewing the work plan, the session will address key regulatory risks impacting regional water reliability and present the findings from a regulatory survey conducted in January 2025. The survey, which covered 28 current regulations related to water rights, rates, management, and quality, aims to assess their potential impact on BAWSCA agencies. The purpose of the survey was to gather insights into the anticipated effects of recent regulations on agency water management practices, identify the need for regional coordination, and prioritize areas for further investigation.

Ongoing engagement with the WMRs and the Board will be essential for maintaining progress on the project, ensuring that all stakeholders remain informed and have opportunities to actively contribute throughout the duration of the initiative.

Quarterly CIP Meetings with SFPUC:

Section 6.09 of the Amended and Restated Water Supply Agreement between the City / County of San Francisco and the Wholesale Customers (WSA) includes provisions that require the SFPUC to engage with BAWSCA on the development of their 10-year Capital Improvement Plan (CIP). While not required by the WSA, in recent years the SFPUC has prepared quarterly progress updates on their CIP efforts, and those reports are shared with their Commission as well as with BAWSCA. Separate quarterly CIP Reports are prepared for the Water Enterprise and their Hetch Hetchy Enterprise.

SFPUC’s construction staff meet with BAWSCA each quarter to discuss the work detailed in their quarterly reports, as well as to address comments and questions BAWSCA have regarding the

construction progress of the projects detailed in the document. If BAWSCA requires additional clarification as to why construction costs have increased for a particular project, why construction schedules have changed for a particular project, or perhaps why a project's scope has changed, those topics are discussed at the quarterly meeting. BAWSCA has found that the preparation of quarterly reports by the SFPUC staff, coupled with the robust discussion that takes place during the follow-up meetings, results in a greater level of understanding within BAWSCA of the CIP work efforts underway.

Meetings with BAWSCA and the SFPUC are generally held 2 to 3 weeks following formal report presentations by SFPUC staff to the Commission at their regular meetings. SFPUC's quarterly CIP reports are available publicly at this weblink: <https://www.sfpuc.gov/taxonomy/term/27?page=0>

The most recent quarterly meeting on the SFPUC's Water Enterprise CIP was held on January 8, 2025, and the most recent quarterly on the SFPUC's Hetch Hetchy CIP was held on Thursday February 6, 2025.

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Board Policy Committee

Policy Calendar Through December 2025

Meeting Date	Purpose	Issue or Topic
April 2025	D&A R&D R R	Consideration of Proposed FY 2025-26 Work Plan and Budget Review of Publicly Available Pay Schedules BAWSCA's Strategy 2050 Review of Water Supply Forecast
June 2025	D&A R R	Review of CEO/General Manager Evaluation Procedure and Publicly Available Pay Schedules Updated Tier 2 Plan Adoption Progress Review of Water Supply Forecast
August 2025	R&D R	BAWSCA's Strategy 2050 2025 Demand Study
October 2025	R&D R&A	BAWSCA's Strategy 2050 Annual Review and Consideration of BAWSCA's Statement of Investment Policy
December 2025	D&A R&D R&D R&D	Mid-Year 2025-26 Work Plan, Budget and General Reserve Review Review of FY 2026-27 Work Plan and Budget Planning Process BAWSCA's Strategy 2050 Review of Water Supply Forecast