

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**December 11, 2024 – 1:30 p.m.**

<b>MINUTES</b>
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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 7<sup>th</sup> 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 12<sup>th</sup> 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 16<sup>th</sup> 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 1<sup>st</sup> and extends through June 30<sup>th</sup> 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.

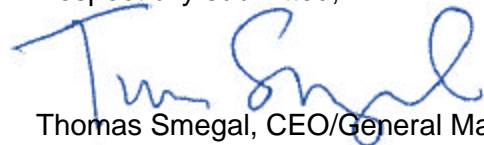
Nicole Sandkulla is pleased to see the transition of leadership with Tom Smegal and expressed her appreciation for the amazing opportunity to serve the region, and for the Board's support in her role as CEO/General Manager.

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

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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
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