

# BAWSCA

Bay Area Water Supply & Conservation Agency

## BOARD OF DIRECTORS MEETING

Thursday, January 15, 2026

6:30pm

Burlingame Community Center – Sequoia Room  
[850 Burlingame Ave., Burlingame](http://850BurlingameAve.Burlingame)

[CLICK HERE TO VIEW LIVESTEAM](#)

*One (1) member of the Board will participate in this meeting by teleconference at the following location, 636 S Michigan Ave. Chicago, Illinois 60605. When any member(s) of the Board participates by teleconference, all votes taken at this meeting will be by roll call vote.*

### REVISED AGENDA

<u>Agenda Item</u>	<u>Presenter</u> (Chambers)	<u>Page</u>
1. Call to Order/Roll Call/Salute to Flag		
2. Special Order of Business – Election of Officers for Calendar Year 2026 (Attachment)	(Chambers)	Pg 3
<ul style="list-style-type: none"><li>• Election of Chair</li><li>• Election of Vice Chair</li></ul> <p><i>(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)</i></p>		
3. Break for the San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Chambers)	
4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting	(Chambers)	
5. Comments by the Chair	(Chambers)	
6. Board Policy Committee Report (Attachment)	(Hardy)	Pg 5
7. Public Comments	(Chambers)	
<p><i>Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of two (2) minutes.</i></p>		
8. SFPUC Report	(Ritchie)	
9. Consent Calendar (Attachments)	(Chambers)	
A. Approval of Minutes of the November 20, 2025 Meeting		Pg 21
B. Receive and File Budget Status Report – As of November 30, 2025		Pg 27
C. Receive and File Investment Report – as of December 31, 2025		Pg 29

D. Receive and File Directors' Reimbursement Report – As of December 31, 2025	Pg 31
E. Receive and File Employee Reimbursement Report – As of December 31, 2025	Pg 33
F. Receive and File Bond Surcharge Collection, Account Balance and Payment Report – As of September 30, 2025 (Attachment)	Pg 35
G. Approval of the Proposed FY 2026-27 Bond Surcharges	Pg 37
<i>The Board Policy Committee voted unanimously to recommend the proposed Board action for item 9G.</i>	

## 10. Action Calendar

A. Potential Additional One-Time Payment to CalPERS to Reduce BAWSCA's Unfunded Pension Liability (Attachment)	(Tang) Pg 43
--	--------------

## 11. Reports and Discussions

A. BAWSCA Pension Liability Funded Status Update (Attachment)	(Tang) Pg 47
B. BAWSCA OPEB Liability Funded Status Update (Attachment)	(Tang) Pg 53
C. 2025 Regional Water Demand and Conservation Study (Attachment)	(McPherson) Pg 59
D. Mid-Year 2025-26 Work Plan, Budget, and General Reserve Review (Attachment)	(Smegal) Pg 71

## 12. Discussion Item

A. Fiscal Year 2026-27 Work Plan and Budget Planning Session (Attachment)	(Smegal) Pg 85
---	----------------

## 13. CEO Reports

A. Consultant Billing Rate Market Comparison (Attachment)	Pg 89
B. Bay Delta Plan/FERC Update	
C. Legislative Updates	
D. CEO Letter (Attachment)	Pg 93
E. Board of Directors Policy Calendar (Attachment)	Pg 95
F. Correspondence Packet ( <a href="#">Under Separate Cover</a> )	

## 14. Closed Session

<b>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>	(Schutte)
<b>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).</b>	

## 15. Report from Closed Session

(Schutte)

## 16. Directors' Discussion: Comments, Questions and Agenda Requests

(Chambers)

## 17. Additional Time for Public Comments (As Time Permits)

(Chambers)

*Members of the public may address the Board on any issues that are within the purview of the Agency*

**18. Date, Time and Location of Future Meetings  
(See attached schedule of meetings)**

**(Chambers) Pg 97**

**19. Adjourn to next meeting scheduled for March 19, 2026 at 6:30pm**

**(Chambers)**

***Accessibility for Individuals with Disabilities***

*Upon request, BAWSCA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least two days before the meeting. Requests should be emailed to [bawsca@bawsca.org](mailto:bawsca@bawsca.org) or submitted by phone at 650-349-3000. Requests will be granted whenever possible and resolved in favor of accessibility.*

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:** Election of Officers for Calendar Year 2026

**Summary:**

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

**Discussion:**

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Chair will close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
  - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
  - b. Ask if other directors would like to comment on behalf of the nominee.
  - c. Call for a vote of those in favor of each nominee, by a show of hands, or roll call vote if required due to teleconferencing.

Following the election of the chair, proceed to the election of vice chair using the same process.

(This page was intentionally left blank)

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

155 Bovet Road, Suite 650  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

## **MEMORANDUM**

TO: BAWSCA Board Members

FROM: Tom Smegal, Chief Executive Officer/General Manager

DATE: January 9, 2026

SUBJECT: Summary of Board Policy Committee meeting held December 10, 2025

---

1. **Call to Order:** Committee Chair, Karen Hardy, called the meeting to order at 1:33pm. CEO/General Manager Tom Smegal called the roll. One member of the Committee participated in the meeting by teleconference in accordance with the traditional Brown Act Rule. All members (9) of the Committee were present at roll call. A list of Committee members who were present (9) 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 Closed Session will be removed from the agenda as there is no new information that requires it.

3. **Consent Calendar:**

**Director Chambers made a motion, seconded by Director Vella, that the Committee approve the Minutes of the October 8, 2025 Board Policy Committee meeting.**

**The motion passed unanimously by roll call vote.**

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

4. **Public Comments:**

Public comments were received from Peter Drekmeier, Policy Director of Yosemite Rivers Alliance, previously Tuolumne River Trust.

5. **Action Calendar:**

- A. **Proposed Fiscal Year 2026-27 Bond Surcharges:** Finance Manager, Christina Tang, reported that the Bond Surcharge setting is an annual process BAWSCA does to meet the financial obligations associated with the revenue bonds issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013. BAWSCA calculates the bond surcharges every year to fund the debt service payments,

reimburse bond administration expenses, and replenish the Stabilization Fund as necessary. For FY 2026-27, no replenishment is needed of the Stabilization Fund.

The proposed Bond Surcharge for FY 2026-27 reflects the savings from the original prepayment program in 2013 and the recent refunding completed in January 2023. The total average net present value savings are approximately \$6 million per year from 2023 to 2034 when the bonds will be paid off.

The surcharge calculation is based on the bond indenture, and the methodology used is the same as last year's.

Ms. Tang presented a table that shows the proposed bond surcharge for each agency on a monthly and annual basis. The collective total for the FY2026-27 Bond Surcharge is \$21,871,812. This amount is approximately \$7K less than FY 2025-26, and is equivalent to \$0.33/ccf or 143 per acre foot based on SFPUC's latest wholesale water use projection.

The Committee is asked to recommend Board approval of the proposed FY 2026-27 Bond Surcharges as presented.

Director Stevenson asked for an explanation of the methodology used for the calculation.

Ms. Tang explained that the calculation is based on the annual debt service payment minus the credits determined as appropriate to be considered next year based on the excess funds plus the bond administrative expenses incurred last year. For example, this year (for FY 2026-27), the annual debt service payment will be approximately \$22M, and approximately \$137K are credited to the agencies because of the interest earnings from the 2023 forward refunding of the 2013A bonds. At the time of the refunding, the interest earnings were high which resulted in some interest earnings when the funds were in escrow. To have a stable credit methodology, BAWSCA's finance team determined \$137K as an appropriate amount to be applied as credit to the agency each year. Including the bond administrative expenses of \$37K incurred in FY 2024-25, the total annual obligation is then allocated for each agency based on the agency's actual water purchases in FY 2024-25, as a percent of total wholesale water purchases from the SFPUC.

In addition, the calculation considers a "true-up" adjustment from FY 2024-25, because, for setting the FY 2026-27 bond surcharge, FY 2024-25 actual purchases were used since it is the latest available data. To ensure agencies are charged based on actual purchases, a true-up adjustment is applied in the calculation. The true-up adjustment is the difference between 1) how much an agency was charged in FY 2024-25 based on projections, and 2) how much an agency should have been charged based on actual FY 2024-25 purchases.

In response to Director Schneider, Ms. Tang explained that Millbrae purchased more water in FY 2024-25 than it did in FY 2022-23, which results in a positive or additional "true up" adjustment for FY 2026-27.

**Director Pierce made a motion, seconded by Director Vella, that the Committee recommend Board approval of the proposed Fiscal Year 2026-27 Bond Surcharges.**

**The motion passed unanimously by roll call vote.**

**6. Report and Discussion:**

A. 2025 Regional Water Demand and Conservation Study: CEO Smegal noted that BAWSCA conducts a water demand and conservation study every 5 years. Results of past studies were typically provided to the Committee and the Board, but not necessarily agendized for presentation and discussion. The recent study shows slightly different findings than in the past which is important to share in the context of the Urban Water Management Plan efforts of the agencies.

Mr. Smegal was pleased to introduce Sr. Water Resources Specialist, Danielle McPherson, to provide a high-level summary presentation of the very technical report. He noted that the study represents the BAWSCA region's total water use from all sources, in addition to the San Francisco Regional Water System.

Ms. McPherson reminded the Committee that BAWSCA facilitates this regional study every 5 years to produce demand projections for each of the 26 member agencies over a 25-year planning horizon. The projections facilitate local and regional planning efforts such as Urban Water Management Plans (UWMP) and BAWSCA's Strategy 2050.

Ms. McPherson noted that the projections presented in BAWSCA's demand study are not the agencies' final planning forecasts. Each agency's official demand projections used for its own purposes and regulatory compliance are typically not considered final until they have been adopted by the agency's governing body, for example through its UWMP. The deadline for UWMP's is not until July of 2026, and agencies may and can make adjustments to their forecasts between this time period. Final demand projections for each agency reside with that agency.

Through a competitive bidding process, BAWSCA worked with the consulting firm of Hazen and Sawyer (Hazen), a leader in the field of water demand forecasting and management with a reputable record of conducting demand studies for more than 25 water suppliers across the nation. Hazen has led and supported research projects with the Water Research Foundation related to water demand. Senior Associate Jack Keifer, who was a key member of BAWSCA's team, was recognized with an award in 2022 for his research innovation that can be used by water utilities for planning and resilience.

Ms. McPherson emphasized that the demand study was not intended to be a precise prediction of the future. While it is based on agency-approved assumptions, external factors that may have significant influence on demand such as droughts, severe economic downturn and global pandemic cannot be predicted.

The study was a significant effort by the member agency staff who put a lot of time over the past year and half working with BAWSCA to provide, verify and finalize input data, assumptions, and results.

**Approach**

The demand study employed a hybrid water demand modeling framework that integrates econometric regression techniques with end-use conservation accounting. The econometric models explain the influence of key explanatory variables on historical water demands. These variables may be weather conditions, historic drought restrictions, socio-economic factors, and water rates, to name a few. The model forecasts future demand based on specific values for those explanatory variables.

*Keynotes:*

- *The baseline forecast reflects demographic growth projections approved by each member agency and are reflective of other agency approved documents such as city wide master plans.*
- *Member agencies opted to include climate adjusted temperature in the baseline scenario.*
- *The Hazen team ensured that best practice efficiency standards were used for the conservation accounting.*

The study had four main elements in the approach to determine each agency's demand projections:

1. Development of Baseline Demand Projections based on a common set of assumptions across the member agencies. The Hazen team worked with each agency to adjust published regional assumptions to fit local realities and have data that are agency specific.
  - Demographics – Population, housing and jobs were generally assumed to follow the growth rates from Plan Bay Area 2050 and Regional Housing Needs Assessment (RHNA) with adjustments by member agency planning departments and cities.
  - Housing – New housing is expected to occur in the multifamily sector given the area of land available for housing generally remains constant. The increasing housing density will tend to have a lower impact on demand as smaller lots use less water for irrigation.
  - Climate conditions – Agencies chose to include a climate adjusted future with the use of the CalAdapt CMIP5 8.5 modeling, but precipitation was held at historic averages.
  - Economic conditions – A mix of industries, regional rates of change in GDP, and unemployment rates assumed to remain constant at recent historical levels
  - Conservation – Compounding of passive conservation and implementation of agency developed portfolio of active conservation programs.
  - Pricing – Water rates are assumed to keep pace with inflation. Rate increases approved by some agencies were incorporated into the models.

*Findings:*

- Population is expected to increase by 37% by 2050. Housing is expected to increase by 40% by 2050 with majority of growth in the multi-family sector. 34% more jobs are expected to be created by 2050
- Regional demand is projected to increase over the 25-year planning horizon, but with the expected demographic growth, the increase in demand is tempered by the passive and active conservation savings.

2. Conservation Accounting in which both passive savings through codes and regulations, as well as active conservation measures were quantified.

The water conservation analysis included detailed water savings accounting with member agency input. The Alliance for Water Efficiency Water Conservation Tracking Tool (AWE Tracking Tool) was customized to each of the agencies' service areas including population, housing units, and implementation of past conservation programs, to help agencies evaluate the remaining potential and cost-effectiveness of conservation measures. The Hazen team worked with member agencies individually to develop a

custom suite of conservation programs member agencies can apply to their demand models.

3. Evaluation of baseline projected water use against State's Urban Water Use Objective (UWUO) to assess if BAWSCA agencies are anticipated to meet their UWUO over the 25-year planning horizon.

The State's "Making Water Conservation a California Way of Life" is a long-term framework for water use efficiency that regulates water use in four sectors; Indoor Residential, Outdoor Residential, Outdoor Commercial Industrial Institutional (CII) with dedicated irrigation meters, and Water Loss. Each agency has an UWUO which is a locally specific budget for each of the sectors, but they are regulated as a whole. For example, if an agency exceeds in one sector, but in aggregate remains within their UWUO budget, then that agency will be in compliance.

Findings:

- Member agencies are well-positioned to meet their UWUOs.
- Passive and active conservation savings will be an effective tool for agencies to maintain compliance regulations.
- Only four (4) of the 26 agencies are projected to exceed their UWUO over the next 25-years.
- A small number of agencies may need to consider additional measures or targeted strategies in future years.

The comparison of historic demand against past demand studies going back to 2004, with drought years accounted for, shows:

- Droughts are a significant downward driver of demand, in between droughts, demand has tended to increase but has not tended to rebound to pre-drought levels.
- Growth in demand projections has become flatter over time. As conservation efficiency efforts become permanent, it continues to offset the projected growth in demographics.
- Actual water use in FY 2024-25 was approximately 15% lower than projected in the last demand study completed in 2022.

Ms. McPherson noted that the data collection and analysis for the 2022 Demand Study was concluded before the 2021-23 drought in which the Governor called for a 15% water use reduction across the State.

Ms. McPherson emphasized that demand projections are subject to uncertainties based on the assumptions that are applied. Factors such as migration patterns of people in and out of service areas, the state of the economy, and potential new technological advancements are unknown. A current hot topic are data centers; where will they be built and how much water will they use. Water agencies do not have control over external factors that ultimately determine whether the current forecast correctly anticipates future conditions.

4. Scenario Analysis was conducted to address uncertainties of water demand forecasting. Scenario analysis provide a practical framework to assess assumptions and evaluate potential future conditions and what that would mean for water demand.

BAWSCA worked with member agencies, external stakeholders, and the SFPUC over a period of 2 months to get feedback on what should be considered as potential future alternative scenarios. The scenarios collaboratively developed were categorized into four general groups that aligned with water demand model inputs: 1) Demographic and Development; 2) Socioeconomic; 3) Conservation and Pricing; 4) Climate and Other.

Reasonable high and low bounds were assumed for each group.

Group	Assumptions	
	High	Low
Demographic and development	+ More population • Housing density the same as the baseline assumption	- Less population
Socioeconomic	+ High economic growth	• Low economic growth
Conservation and Pricing	- Less Active conservation • The same water rates as the baseline	+ Higher rate increases - Less non-functional turf due to new regulations
Climate and Other	+ Hotter and dryer climate + High water use industries	+ Wetter conditions/less Warming than the baseline assumption

From the assumptions, five alternative scenarios were developed that provides a wide range of potential future regional demands in 2050.

1. High at 264mgd
2. Moderated High at 256mgd
3. Moderated Low at 173mgd
4. Low at 155mgd
5. Historical Trends at 204mgd

### Summary

In summary, regional water demand is projected to increase gradually through 2050. Demographic growth will be moderated by improvements in water use efficiency and additional conservation. Member agencies are well positioned to meet their UWUO requirements, but for some agencies, passive and active conservation will be an effective tool to maintain compliance with regulations.

While the tasks associated with the demand study to produce a report have been concluded, BAWSCA will continue working with the Hazen team to further evaluate future uncertainties in water demands, particularly around drought.

Luke Wang, Project Manager from the Hazen team, addressed the Committee with information on a task that will include additional scenario and sensitivity testing around the impact of future drought restrictions. Historical demands has changed over time with various external drivers including economic conditions, drought periods, and implementation of water use restrictions. Hazen's proposal to BAWSCA includes a concept for leveraging aspects of

the econometric model to look at the impact of future drought restrictions on the projections concluded in the study. Assumptions around timing, severity of drought, restrictions from SFPUC, and supply availability would be considered to further quantify future uncertainty.

Comments and questions were received from members of the Committee.

Director Scheider noted that given the augment of AI and server farms, she queried on whether “other” that functions for economic development should be separated from “climate” because climate is a factor that cannot be controlled, versus factors that can be within a jurisdiction’s control. She added that cities will be dealing with Regional Housing Needs Assessment (RHNA) requirements along with water use by the AI sector.

Secondly, how can agencies, that might be adjacent to one of the 4 agencies that may exceed its UWUO, recognize that to be able to evaluate a collaborative effort for addressing those agencies’ challenges.

Thirdly, how can the study provide agencies that may be at most affordability risk with information on what planning considerations are worth evaluating now.

In response, Ms. McPherson explained that high water users were included in the “other” category because their projected water use is not linked to number of employees, as other industries are. The report will describe the unique assumptions used to estimate potential future water demand from data centers.

Regarding collaborative efforts with the 4 agencies, Ms. McPherson stated that while the report focuses on regional data, agencies are required to publish their UWUO compliance every January 1<sup>st</sup> with the State Water Board. Those reports are publicly available.

While the demand study doesn’t address affordability, it provides agencies with a tool to evaluate future water demands under different conditions, which can be used to evaluate the reliability of water supply.

Director Stevenson appreciated the report and expressed his interest in the drought sensitivity analysis moving forward, particularly as to why water use does not rebound to pre-drought levels. In terms of the sensitivity, he would like to understand which conditions are the most explanatory of the projection differences. The high and low bounds seem large, considering the historical trend. He asked if there is data in the analysis that includes a legislative perspective on potential housing acceleration and free flow development from the commercial, retail, and industrial standpoint. RHNA numbers are relatively stable in terms of the expected growth within the 8-year cycle. Does the study include numbers outside of RHNA when it looks at legislative impact?

In response, Luke Wang explained that demand is most sensitive to demographic changes. Housing, units, population, and jobs have a 1:1 influence in terms of rate of water use multiplied by the number of people, housing, jobs, and accounts. How they materialize into the future are the projections that are the big drivers of the differences between low and high bounds.

Ms. McPherson added that the study includes Plan Bay Area 2050 and RHNA numbers. She explained that for the high scenarios, agencies that assumed numbers below ABAG in their baseline were brought up to ABAG growth projections, agencies that already projected higher were not changed.

In response to Director Duncan, the study took into account the State's water loss requirements.

Director Ragsdale provided feedback on the staff report for the full board to include concrete examples of passive and active conservation efforts, as well as a clear correlation between the high demand scenario given smaller lot sizes using less outdoor water and constant housing density.

Director Hardy noted that the City of Santa Clara has 55 data centers that use reclaimed water and has advanced in water efficiency to use less water than an existing cardboard manufacturer.

In particular, she asked what was used as an assumption for water loss, and at what percent did the study find. She referenced Israel's water loss being at 11% compared to the US being closer to 44%.

Luke explained that the Hazen team worked with individual member agencies to understand the most recent statistics associated with water loss in each of their distribution system and to verify purchases versus production. The demand study found that water loss in the region is approximately 11%. However, there are variations due to uniqueness of each agency.

Ms. McPherson added that there are regulations to reduce water loss in distribution systems. She clarified that the UWUO only regulates CII outdoor water use associated with dedicated irrigation meters. Indoor CII use is an exempt category because it is proprietary information.

Director Vella noted that while data centers are very efficient, they also come in greater numbers than cardboard manufacturers.

In response to Director Pierce's question about how member agencies, as well the SFPUC, can use the demand study in addition to informing their UWMPs, Ms. McPherson stated that each agency was provided an Excel-based tool that projects water demand over a 25-year planning horizon. The tool can be updated by agencies to apply various assumptions as needed to see how variables can change their demand forecast.

As for the SFPUC, they receive member agencies' projected RWS purchases that are used for a supply and reliability analysis required for the UWMPs. Following the positive response to BAWSCA's alternative scenario analysis in the 2022 Demand Study Update, the SFPUC also included an alternative scenario analysis in its current demand study. BAWSCA aligned a historical trend scenario with the SFPUC's assumptions. This is a useful tool for evaluating how conditions change over time.

Public comments were provided by Layne Fajeau of Sierra Club California and Peter Drekmeier, Yosemite Rivers Alliance.

In response to public comments, Director Schneider expressed her interest in further discussing conservation data relative to decreasing fire risks and subsidence with the commentors.

B. Mid-Year 2025-26 Work Plan, Budget and General Reserve Review: Mr. Smegal was pleased to report that the FY 2025-26 work plan is going well from a workplan and financial standpoint. Findings of the mid-year review is being presented to the Committee and will be presented to the Board in January as a report instead of an action item because there are no recommended changes to the adopted work plan and budget.

The General Reserve balance is approximately \$1.7 million, or 31% of the operating budget. This level is on the high-end but is within the board adopted guidelines.

Mr. Smegal went over the high points of the achieved activities in the past 6 months, and the ongoing tasks for the next 6 months.

The workplan is based on BAWSCA's fundamental goal of ensuring a reliable supply of high-quality water at a fair price.

#### *Water Supply Reliability*

A primary and ongoing task to ensure water supply reliability is BAWSCA's monitoring of SFPUC's Water System Improvement Program (WSIP), 10-year CIP, Asset Management Program, and Emergency Response Plan for the San Francisco Regional Water System (SF RWS). BAWSCA's efforts to engage with the SFPUC on their bi-annual review of the 10-year CIP has just started. Water Resource Manager, Tom Francis leads this effort from the end of the calendar year through the first quarter of 2026. The Board will be kept informed of developments over the next few months.

Another principal task under water supply reliability is finding long-term supply solutions through BAWSCA's continued implementation of the current Strategy. BAWSCA's multi-phase effort on the Demand Study and development of Strategy 2050 has been a major focus of the FY2025-26 workplan. Efforts with the Strategy 2050 are ongoing, and findings of the recently completed Demand Study will be reported to the Board in January.

BAWSCA's work on reliability also includes finding near-term supply solutions. This area of work includes demand management, drought response and conservation. A major focus of the FY 2025-26 work plan is BAWSCA's representation of the member agencies' interests in the statewide discussions on the development of and compliance with the State's "Making Conservation and California Way of Life" requirements. In partnership with Valley Water and participation of each member agency, BAWSCA is conducting a series of 12 workshops for extensive conversations geared to reach a full understanding of the requirements and compliance methods.

Administration of the Water Supply Agreement (WSA) with San Francisco to represent the member agencies' supply and financial interests is part of water supply reliability and entails ensuring that San Francisco meets its legal and contractual obligations to the wholesale customers. Mr. Smegal was pleased to report that the new Tier 2 Plan and WSA Amendment reached unanimous adoption by all 26 member agencies.

This was a multi-year effort that has been a major part of BAWSCA's workplan primarily led by Danielle McPherson. It involved negotiations among the 26 member agencies and getting a series of approvals by the SFPUC Commission and individual governing bodies of member agencies. A unanimous agreement has been reached by all parties and a new Tier 2 Plan and WSA amendment is in effect.

Lastly, under water supply reliability is BAWSCA's ongoing efforts on the Bay Delta Plan, FERC relicensing process, and outreach to coordinate regional efforts on grant opportunities and supply reliability. BAWSCA continues to stay engaged on the Bay Delta Plan activities, more recently with the State Water Resources Control Board's November 5<sup>th</sup> workshop in Sacramento.

*Water Quality*

As part of the WSA, BAWSCA and SFPUC has a Joint Water Quality Committee which is the means for coordination between BAWSCA, member agencies and the SFPUC on all water quality matters. Efforts in this area are ongoing.

*Fair Price*

BAWSCA's annual audit of SFPUC's calculations associated with the Wholesale Revenue Requirement (WRR) is led by Finance Manager Christina Tang. As previously reported to the Board in November, a resolution was reached with SFPUC on BAWSCA's concerns related to costs allocated to the Wholesale Customers in FY 2022-23. Adjustments made to the FY 2022-23 WRR resulted in a total of \$3,477,285 savings to the wholesale customers.

Comments were received from the members of the Committee regarding table formatting for both the staff report and presentation.

There were no comments from members of the public.

C. Potential Additional One-Time Payment to CalPERS to Reduce BAWSCA's Unfunded Pension Liability: Finance Manager, Christina Tang, reported that in April 2025, the Committee directed staff to evaluate BAWSCA's financial situation at the conclusion of FY 2024-25 to consider using unspent funds towards an Additional Discretionary Payment (ADP) to CalPERS to reduce BAWSCA's Unfunded Accrued Liability (UAL).

As a reminder, Ms. Tang noted that CalPERS allows an employer to make ADPs at any time and in any amount to reduce UAL. Making an ADP would not require an ADP to be made in any future years.

Ms. Tang explained that UAL represents the liability for service that has been earned but not funded. BAWSCA's UAL as of June 30, 2024 was \$1,209,958. It is estimated to be paid off by 2043 based on a discount rate of 6.8%.

As a result of CalPERS strong investment returns in FY 2024-25 at 11.6%, CalPERS now projects BAWSCA's UAL as of June 30, 2025 reduced to \$928,000, with an estimated pay off by 2042 based on a discount rate of 6.8%. Ms. Tang noted that one exceptionally good investment year reduced BAWSCA's UAL by approximately \$300K. This is a reminder that UAL is an actuarial value that fluctuates over time due to variables including CalPERS' actuarial assumptions versus its investment performance.

As previously reported by Mr. Smegal, BAWSCA's General Reserve Balance as of November 30<sup>th</sup> is \$1.7 million, or 31% of the annual FY 2025-26 Operating Budget. This balance reflects the deposit of FY 2024-25 unspent funds of \$500,997. BAWSCA's adopted General Reserve Policy provides a guideline for the general reserve balance to be between 20% - 35% of the annual operating budget.

Based on the current amortization schedule, BAWSCA's projected 2025 UAL has been 87.5% funded without additional payments. Currently, it is estimated to be paid off by 2042.

Ms. Tang emphasized that it is the “2025 UAL” that is estimated to be paid off by 2042, not the “UAL” because there will always be a “UAL” whether it is a positive or negative as it will depend on CalPERS’ investment performance.

The Committee was presented with five one-time payment options ranging from \$100K to \$400K based on BAWSCA’s most recent CalPERS’ projected 2025 UAL of \$928,000.

	Option 1	Option 2	Option 3	Option 4	Option 5
<b>Payment</b>	\$100K	\$200K	\$250K	\$300K	\$400K
<b>GR to Budget Ratio</b>	29%	27%	26%	25%	24%
<b>Est. UAL Pay Off Yr</b>	2039	2037	2035	2034	2033
<b>UAL Funded Ratio</b>	90.2%	91.4%	92.1%	92.7%	94.0%
<b>Est. NPV Savings</b>	\$17K	\$32K	\$39K	\$46K	\$56K

Feedback on the potential one-time additional payment level was requested from the Committee.

Mr. Smegal noted that the Board, during its discussion on the work plan and budget setting, has evaluated the use of the General Reserve as a means of buffering increases in fees to member agencies. He encouraged Directors to keep in mind the potential uses for the excess in General Reserve.

Chair Hardy reminded the Committee that it is advisory to the General Manager and the Board. Each committee member stated their position on an ADP, which resulted in a consensus to make an ADP.

Committee Member feedback:

Director	Comments	Preferred Option
Duncan	In favor of paying down the unfunded pension liability. Having Five Options is too much. Have a Zero option, a high value and a low value. This would be helpful for discussion.	Option 3
Zigterman	This is a return on investment, therefore favors the option that provides the most significant impact.	Option 3

Director	Comments	Preferred Option
Ragsdale	In favor of making an additional payment.	No preferred Option
Vella	Would like to capitalize on return on investment while imposing the least impact on the General Reserve to stay within the higher end of the guidelines.	Option 2
Pierce	Cautions against drawing down the GR balance. Assessments have had to be raised in the past to add back to the GR balance. Prefers to maintain a 27% GR balance to avoid having to raise fees.	Option 2
Stevenson	Noted that bringing down the unfunded balance is not necessarily a good strategy because of annual fluctuations. The net gain from 2025 of \$300K is more than what was budgeted for and is a benefit already. Having a 25% GR balance that may make it tight as it relates to protecting against a down year is risky.	No payment
Chambers	Would like to focus on the GR percentage and keep it at a higher level to provide the CEO with some flexibility in developing the FY 2026-27.	Option 2
Schneider	27% GR Balance is in the high end but it is a good percentage given the current economy.  Agrees with having lesser options for the full Board.	Option 2
Hardy	Important to achieve BAWSCA's goal of paying down the unfunded pension liability while maintaining the GR balance	Option 2

*Additional Comments by members of the Committee:*

Director Stevenson was not against paying down the unfunded balance, but he noted that CalPERS' exceptional level of return in one year has not been seen in a long time. He is pleased to see there is a discount rate. He will support the consensus.

Director Chambers noted that majority of the Board expressed interest in paying down the balance of the unfunded pension liability at the time this item was discussed with the full Board, and a recommendation should be presented.

Director Hardy stated that the consensus will be presented to the Board in January. She appreciates the Committee's robust discussion and thoughtful feedback as it facilitates

discussions by the full Board. Staff will incorporate comments received in the materials prepared for the Board for its January 15<sup>th</sup> meeting.

**7. CEO Reports:**

A. Review of FY 2026-27 Work Plan and Operating Budget Preparation Process: Mr. Smegal reported that the January Board meeting will include a Work Plan and Budget Planning Session as part of the agenda. The Board will be asked for their feedback on ideas, topics and work plan items that should be changed, removed from, or included in the FY 2026-27 work plan and budget. From that planning session, a preliminary work plan will be developed and presented to the Committee for discussion in February, and to the Board in March. A proposed FY 2026-27 work plan and budget will be presented to the Committee in April, for the full Board's consideration in May.

Mr. Smegal stated that development of the work plan looks at the near- and long-term future. He sees FY 2026-27 as a transitional year given that Strategy 2050 is intended to be completed at the end of calendar year 2026. He expects to see a lot of new topics or changes in topics as the results of Strategy 2050 are evaluated.

B. Water Supply Conditions: Given the above normal precipitation that occurred in October and November, current water supply conditions continue to be strong despite the lack of rain during the first 2 weeks of December.

C. Bay Delta Plan and FERC Update: There is no additional information to report on the Bay Delta Plan since the November 20<sup>th</sup> Board Meeting. As previously reported, the State Water Resources Control Board (State Board) will produce a 2<sup>nd</sup> draft of the Scientific Basis Report for the Tuolumne River based on the comments received at the November 5<sup>th</sup> State Board workshop and the written comments received by the November 7<sup>th</sup> deadline. The 2<sup>nd</sup> draft is expected to be provided for peer-review in the first quarter of 2026. A public hearing or workshop may be scheduled in early to mid 2026.

There are no new developments for the FERC relicensing process.

**8. Closed Session: A Closed Session was not needed and was removed from the agenda.**

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

**10. Comments by Committee Members:**

Director Schneider reported that Assemblymember Diane Papan sent a letter encouraging SFPUC, Millbrae and BAWSCA to come up with a win-win strategy on SFPUC's plan to shut down Millbrae's one hardware store and associated critical retail sales tax and property tax. As a Board member, she is requesting this item to be agendized to discuss the impact and how SFPUC and Millbrae can work together.

SFPUC has big land holdings within the BAWSCA service area, and depending on the situation, this can pose a huge financial impact on the agencies. She noted that in BAWSCA's enabling legislation, member agencies do not have the ability to question SFPUC's projects that are within an agency's jurisdiction and that can potentially have critical impacts on the agency and overall affordability. BAWSCA member agencies should have a say on SFPUC projects.

**January 15, 2026 – Agenda Item #6**

Director Stevenson noted that the impacts of SFPUC on local jurisdictions is worth discussing in the context of affordability and policies. He echoed the opportunity to have discussion on the agenda at the appropriate time to see what can be learned from the discussion and what can be applied to BAWSCA's relationship with SFPUC moving forward.

**11. Adjournment:** The meeting was adjourned at 3:18pm. The next meeting is February 11, 2026.

# Bay Area Water Supply and Conservation Agency

## Board Policy Committee Meeting Attendance Roster

Agency	Director	Dec. 10, 2025	Oct. 8, 2025	Aug. 13, 2025	Jun. 11, 2025	Apr. 9, 2025	Feb. 12, 2025
Santa Clara Hillsborough Westborough CalWater Redwood City Millbrae Burlingame MPWD Stanford	Hardy, Karen (C)	✓	✓	MEETING CANCELLED	✓	✓	✓
	Ragsdale, Leslie (VC)	✓	✓		✓	✓	✓
	Chambers, Tom	✓	✓		✓	✓	✓
	Duncan, Darin	✓	✓		✓	✓	
	Pierce, Barbara	✓	✓		✓	✓	✓
	Schneider, Ann	✓	✓		✓	✓	✓
	Stevenson, Peter	✓			✓		
	Vella, Lou	✓	✓		✓	✓	✓
	Zigterman, Tom	✓	✓		✓	✓	✓

✓ : present

☎ : Teleconference

### December 10, 2025 Meeting Attendance (In-Person Meeting)

#### BAWSCA Staff:

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

#### Members of the Public:

Art Kiesel	City of Foster City
Luke Wang	Hazen & Sawyer
Peter Drekmeier	Yosemite Rivers Alliance
Layne Fajeau	Sierra Club California

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**November 20, 2025 – 6:30 p.m.**

**MINUTES**

**1. Call to Order/Pledge of Allegiance/Roll Call – 6:30 pm**

BAWSCA Chair, Tom Chambers, called the meeting to order. CEO/General Manager Tom Smegal called the roll. Three (3) members of the Board participated via teleconference in accordance with the traditional Brown Act Rule. Twenty-two (22) members of the Board were present at roll call. Two (2) members arrived after roll call. A list of Directors present (24) and absent (2) is attached.

**2. Comments by Chair:**

Chair Chambers welcomed members of the Board and announced that three members are participating remotely in accordance with the traditional Brown Act Rule. All votes will be conducted by roll call.

Chair Chambers pulled agenda item #6G out of consent to provide Board discussion on the extension of the current Tier 2 drought allocation plan.

He noted BAWSCA's audit report for FY 2024-25 shows underspent funds of approximately \$500K. These funds would normally go into reserves but there was interest in evaluating the use of unspent funds to pay down BAWSCA's unfunded pension liabilities. The Board Policy Committee will be looking at options in December for the full Board's consideration at the January meeting.

The Board will be presented with the results of the water affordability assessment conducted as part of Strategy 2050 and updates on the Bay-Delta Plan/TRVA/Tuolumne Healthy River and Landscapes.

**3. Board Policy Committee Report:**

Board Policy Committee Chair Karen Hardy reported that the Committee met on October 8, 2025 where it voted unanimously to recommend the Board's approval of the Tier 2 extension and affirmation of the investment policy. The Committee had a robust discussion on the results of Strategy 2050's water affordability assessment which are reflected in the meeting summary included in the agenda packet.

A question and comment was received from Director Andrews.

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

Public comments were received from Dave Warner.

**5. SFPUC Report:** Alison Kastama, SFPUC Liaison to BAWSCA, provided an update on the Regional Water System's water supply conditions.

Questions and comments were received from members of the Board.

**6. Consent Calendar:**

**Director Breault made a motion, seconded by Director Pierce, that the Board approve the consent calendar which includes:**

Approval of the Minutes of the September 18, 2025 Meeting; Receive and File Budget Status Report – As of Sept. 30, 2025, Annual Audit Report for BAWSCA and Compilation Report for BAWUA for FY 2024-25, Directors’ Reimbursement Report – As of Sept. 30, 2025, Employees’ Reimbursement Report – As of Sept. 30, 2025, Investment Report – As of Oct. 31, 2025; and Re-affirmation of BAWSCA’s Statement of Investment Policy.

**The motion passed unanimously by roll call vote. See attached voting log.**

**7. Action Calendar:**

**Director Andrews made a motion, seconded by Director Mehlinger, that the Board adopt Resolution #2025-02 extending the term of the 2021 Amended and Restated Tier 2 Plan through December 31, 2026, or until all Wholesale Customers’ governing bodies adopt the updated Tier 2 Plan.**

**The motion passed unanimously by roll call vote. See attached voting log.**

There were no comments from members of the public.

**8. Reports and Discussions:**

Sr. Water Resource Engineer, Dr. Negin Ashoori, presented the findings of BAWSCA’s affordability assessment that was conducted as part of Strategy 2050’s key objectives; to support availability of affordable water supplies and demand management strategies to all customers within the BAWSCA region.

Questions and comments were received from members of the board.

Public comments were received from Dave Warner

**9. CEO Reports:**

CEO Smegal reported that the State Water Resources Control Board (State Water Board) held an all-day workshop on November 5, 2025 to discuss and take public comments on the Draft Scientific Basis Report (SBR) for the Tuolumne River Voluntary Agreement (Healthy Rivers and Landscapes) proposal.

The draft SBR will be revised, if needed, based on comments received. The subsequent draft SBR will go through peer-review, concurrent with the review and revision, if needed, of existing environmental documents. The next public hearing or workshop may occur early- to mid-2026.

Finance Manager Christina Tang reported the results of BAWSCA’s recent review and prior resolution associated with FY 2022-23 Wholesale Revenue Requirement (WRR). Pursuant to Section 7.06A of the Water Supply Agreement, BAWSCA conducts a review of SFPUC’s calculation of the annual WRR.

Public comments were received from Dave Warner.

**10. Closed Sessions:**

The Board convened Closed Session #2 before Closed Session #1 at 8:16pm and concluded at 8:28pm. Legal Counsel, Allison Schutte reported that no Board action was taken in Closed Session #2.

The Board convened to Closed #1 at 8:30pm and concluded at 8:43pm. The Board found CEO Smegal's performance to be outstanding since he assumed the position in December 2024.

**11. Additional Time for Public Comments (Time Permitting):**

There was no time for additional public comments.

**12. Directors' Discussion: Comments, Questions and Agenda Requests:**

There were none.

**13. Date, Time and Location of Next Meeting:** The next meeting is scheduled on January 15, 2026 at 6:30pm at the Burlingame Community Center.

**14. Adjournment:** The meeting adjourned at 8:45pm.

Respectfully submitted,

Tom Smegal  
CEO/General Manager

TS/le

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

(This page was intentionally left blank)

## Roll Call & Voting Log - BAWSCA

**Meeting Date:**

Nov. 20, 2025

Agency	Director	Present/ Absent	Item #4 Consent Item#6A-6F, 6H prior to 7:15pm	Item #6G Pulled out of Consent prior to 7:15pm	Weighted Voting <sup>(2)</sup>	
					Weighted "Yes" Votes	Weighted "No" Votes
Hayward	Andrews, Angela	y	y	y		
Brisbane	Breault, Randy	y	y	y		
Guadalupe	Breault, Randy	y	y	y		
Westborough	Chambers, Tom	y	y	y		
San Jose	Cohen, David	0	0	0		
CalWater	Duncan, Darin	y	y	y		
San Bruno	Hamilton, Tom	y	y	y		
Santa Clara	Hardy, Karen	tele	tele	tele		
Purissima	Jordan, Steve	y	y	y		
Foster City	Kiesel, Art	y	y	y		
East Palo Alto	Lincoln, Webster	y	y	y		
Daly City	Manalo, Juslyn	y	0	0		
Sunnyvale	Mehlinger, Richard	y	y	y		
Coastside	Mickelsen, Chris	y	y	y		
Milpitas	Montano, Carmen	y	y	y		
Menlo Park	Nash, Betsy	y	y	y		
North Coast	Piccolotti, Tom	y	y	y		
Redwood City	Pierce, Barbara	y	y	y		
Hillsborough	Ragsdale, Leslie	y	y	y		
Millbrae	Schneider, Ann	y	y	y		
Mountain View	Showalter, Pat	tele	tele	tele		
Burlingame	Stevenson, Peter	y	y	y		
Palo Alto	Stone, Greer	y	y	y		
Mid-Peninsula	Vella, Louis	y	y	y		
ACWD	Weed, John	tele	0	0		
Stanford	Zigterman, Tom	0	0	0		

### Vote Tally

	Weighted Vote Summary		
	"Yes"	"No"	
Yes (y)	24	24	24
No (n)	0	0	0
Absent (0)	2	2	2
Abstain (a)	0	0	0

Item Carries by Simple  
Vote?

--	--	--

Item Carries by  
Weighted Vote?

--	--	--

(1) Under simple voting, item carries if it receives an affirmative vote of a majority of the total membership (15 votes)

(2) Under weighted voting, item carries if it receives the affirmative vote of directors representing both

a) A majority of the members present and voting, <sup>and</sup> January 15, 2026 BAWSCA Board of Directors Meeting Agenda Packet Page 25

b) a majority of the number of votes represented by directors present

## Bay Area Water Supply and Conservation Agency

### Board of Directors Meeting Attendance Roster

Director	Agency	Nov. 20, 2025	Sept. 18, 2025	July 17, 2025	May 15, 2025	Mar. 20, 2025	Jan. 16, 2025
Andrews, Angela	Hayward	✓	✓	✓	✓	✓	✓
Breault, Randy	Guadalupe	✓	✓		✓	✓	✓
Breault, Randy	Brisbane	✓	✓		✓	✓	✓
Chambers, Tom	Westborough	✓	✓	✓	✓	✓	✓
Cohen, David	San Jose		✓			✓	
Duncan, Darin	Cal Water	✓	✓	✓	✓	✓	✓
Hamilton, Tom	San Bruno	✓		✓	✓	✓	✓
Hardy, Karen	Santa Clara	📞	✓		✓	✓	✓
Jordan, Steve	Purissima	✓	📞	✓	✓	✓	✓
Kiesel, Art	Foster City	✓	✓	✓	✓	✓	✓
Lincoln, Webster	East Palo Alto	✓	✓		✓	✓	*
Manalo, Juslyn	Daly City	✓		✓		✓	
Mehlinger, Richard	Sunnyvale	✓		✓	✓		
Mickelsen, Chris	Coastside	✓	✓	✓	✓	✓	
Montano, Carmen	Milpitas	✓	✓	✓	✓	✓	
Nash, Betsy	Menlo Park	📞	✓	✓	✓	✓	✓
Piccolotti, Tom	North Coast	✓	✓	✓		✓	✓
Pierce, Barbara	Redwood City	✓	✓	✓	✓	📞	✓
Ragsdale, Leslie	Hillsborough	✓	✓	✓	📞	✓	✓
Schneider, Ann	Millbrae	✓	✓	✓	✓	✓	
Showalter, Patricia	Mountain View	✓	✓	📞	✓	✓	✓
Stevenson, Peter	Burlingame	✓		✓	✓	✓	✓
Stone, Greer	Palo Alto	✓	✓	✓	✓	✓	✓
Vella, Louis	Mid-Peninsula	✓	📞	✓	✓	✓	✓
Weed, John	ACWD	📞	✓	✓	✓	✓	✓
Zigterman, Tom	Stanford		✓	✓	✓	✓	✓

✓ : Present

\* : Predecessor

📞 : Teleconference

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

155 Bovet Road, Suite 650  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

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

**FROM:** Deborah Grimes, Office Manager

**DATE:** December 30, 2025

**SUBJECT:** Budget Status Report as of November 30, 2025

This memorandum shows fiscal year budget status for FY 2025-26. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

### **Operating Budget Summary:**

For the five-month period ending November 30, 2025, 42 percent into the fiscal year, total expenditures were \$1,991,428 or 36 percent of the total budget of \$5,547,732

**Table 1. Operating Budget Summary as of November 30, 2025**

Cost Category	Year-To-Date		
	Budget	Expenses	Percent
<b>Consultants /Direct Expenditures</b>			
Reliability	1,563,088	518,108	33%
Fair Pricing	324,887	95,836	30%
Administration	346,000	62,744	18%
	<b>Subtotal</b>	2,233,975	676,688
			30%
<b>Administration and General</b>			
Salary & Benefits	2,694,282	1,102,268	41%
<b>Other Expenses</b>			
BAWSCA	554,300	212,322	38%
BAWUA	1,050	0	0%
	<b>Subtotal</b>	5,483,607	1,991,278
			36%
<b>Capital Expenses</b>			
	5,000	0	0%
<b>Budgeted Contingency</b>			
	57,500	0	0%
<b>Regional Financing Authority</b>			
	1,625	150	9%
<b>Grand Total</b>	5,547,732	1,991,428	36%

**Overview:**

Overall expenditures for FY 2025-26 are tracking within budget.

**Consultants**

The \$100,000 budget for technical review and tracking of the SFPUC's Water System Improvement Program was 8 percent expended. The Operating Budget allocation of \$935,000 budget for legal counsel was 27 percent expended. The \$271,600 budget for water management and conservation-related activities was 24 percent expended.

**Administration and Other Expenses**

Budgets for salaries and other expenses were 41 percent and 38 percent respectively.

**Use of CEO's Discretionary Spending Authority:**

No use of CEO discretionary spending authority occurred during this period.

**Use of Reserve and Reserve Fund Balance:**

Unspent funds at the end of FY 2024-25 were \$500,997. The BAWSCA General Reserve balance as of November 30, 2025, reflects the transfer of unspent funds from FY 2024-2025 in accordance with BAWSCA's General Reserve Policy and represents 31 percent of the adopted FY 2025-2026 budget.

**Table 2. General Reserve Fund Balance**

Fund	Account Balance (As of 10/31/25)	Account Balance (As of 11/30/25)
General Reserve	\$1,356,288	\$1,705,262

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

---

155 Bovet Road, Suite 650  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

## **MEMORANDUM**

**TO:** Tom Smegal, CEO/General Manager  
**FROM:** Deborah Grimes, Office Manager  
**DATE:** January 2, 2026  
**SUBJECT:** Investment Report – As of December 31, 2025

---

In February 2004, the Board originally adopted an investment policy consistent with the Government Code that requires a report on the Agency's investments be provided to the Board. This report presents fund management in compliance with the current investment policy. The Board most recently reviewed the investment policy at the November 20, 2025, board meeting.

BAWSCA funds not deposited in banks are invested in BAWSCA's Local Agency Investment Fund (LAIF) account throughout the year to ensure compliance with BAWSCA's investment policy.

BAWSCA's prior and current period LAIF account balances are shown below:

<u>11/30/25</u>	<u>12/31/25</u>
\$3,935,623	\$3,935,623

Of the total in the BAWSCA LAIF account as of November 30, 2025, \$1,705,262 represents BAWSCA's General Reserve Fund, which includes the transfer of \$500,997 in unspent funds from FY 2024-2025, equivalent to approximately 31 percent of FY 2025-2026 Operating Budget, within our goal of 20-35% of our current Operating Budget. The remaining amount consists of unrestricted funds.

Annualized interest rates for the most recent quarters for LAIF deposits are shown below:

<u>06/30/25</u>	<u>09/30/25</u>
4.40%	4.34%

(This page was intentionally left blank)

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

---

155 Bovet Road, Suite 650  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

**MEMORANDUM**

**TO:** Tom Smegal, CEO/General Manager  
**FROM:** Deborah Grimes, Office Manager  
**DATE:** January 2, 2026  
**SUBJECT:** Directors' Reimbursement Quarterly Report for the Period Ending December 31, 2025

---

In March 2006, the board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

Table 1 presents the reimbursed expenses for BAWSCA Directors during the quarter ending December 31, 2025.

**Table 1. Director Reimbursement Expenses**

BAWSCA Director	Expense Amount	Purpose
Webster Lincoln, Director	\$197	Mileage/parking round trip to Sacramento 11/5/2025
Karen Hardy, Chair BPC	\$35	Mileage to and from BAWSCA office for drive to Sacramento 11/5/2025

(This page was intentionally left blank)

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

---

155 Bovet Road, Suite 650  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

## MEMORANDUM

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

**FROM:** Deborah Grimes, Office Manager

**DATE:** January 2, 2026

**SUBJECT:** Employees' Reimbursement Quarterly Report for the Period Ending December 31, 2025

---

This report is prepared pursuant to Government Code Section 53065.5: *Each special district, as defined by subdivision (a) of Section 56036, shall, at least annually, disclose any reimbursement paid by the district within the immediately preceding fiscal year of at least one hundred dollars (\$100) for each individual charge for services or product received. "Individual charge" includes, but is not limited to, one meal, lodging for one day, transportation, or a registration fee paid to any employee or member of the governing body of the district. The disclosure requirement shall be fulfilled by including the reimbursement information in a document published or printed at least annually by a date determined by that district and shall be made available for public inspection.*

Table 1 presents the reimbursed expenses for BAWSCA employees during the quarter ending December 31, 2025.

**Table 1. Employee Reimbursement Expenses**

BAWSCA Employee	Expense Amount	Purpose
Danielle Mcpherson	\$120	<ul style="list-style-type: none"><li>• Poll Everywhere (Online polling platform</li></ul>
Tom Francis	\$1,929	<ul style="list-style-type: none"><li>• ACWA Fall Conference Registration</li><li>• ACWA Fall Conference travel expenses</li></ul>
Negin Ashoori	\$792	<ul style="list-style-type: none"><li>• ACWA Fall Conference travel expenses</li><li>• ACWA/JPIA Leadership Meeting – travel expenses Sacramento</li></ul>
Tom Smegal	\$305	<ul style="list-style-type: none"><li>• Planning meeting - staff</li></ul>
Kyle Ramey	\$150	<ul style="list-style-type: none"><li>• Cal/WEP Plenary Meeting – Sacramento – travel expenses</li></ul>

**January 15, 2026 – Agenda Item #9E**

Christina Tang	\$530	<ul style="list-style-type: none"><li>• GFOA Membership renewal</li><li>• CSMFO Membership renewal</li><li>• CPFO Membership renewal</li></ul>
----------------	-------	--

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

---

155 Bovet Road, Suite 650  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

## **MEMORANDUM**

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

**FROM:** Christina Tang, Finance Manager

**DATE:** January 5, 2026

**SUBJECT:** Bond Surcharge Collection, Account Balance and Payment Report as of September 30, 2025

---

In February 2013, BAWSCA's Revenue Bond Series 2013A and Series 2013B (Taxable) were issued to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. In January 2023, BAWSCA completed the settlement of Series 2023A bonds to refund the 2013A bonds based on a tax-exempt forward delivery, which resulted in a reduced monthly surcharge from the agencies starting March 2023. The bond transactions and the prepayment program are anticipated to generate approximately \$89.4 million in net present value savings to the water customers from 2013 to 2034 when the bonds will be paid off.

### **Bond Surcharge Collections**

BAWSCA collects the bond surcharge from member agencies through the SFPUC as a separate item on SFPUC's monthly water bills to agencies. The bond surcharge payments are used to make debt service payments on BAWSCA's revenue bonds.

The surcharges billed for July through September 2025 have been collected and remitted to BAWSCA's trustee account. Table 1 below presents a summary of financial transactions related to BAWSCA's Bond Series 2023A and 2013B for the three months.

Table 1: Summary of Surcharges Remitted to Trustee for Quarter Ending 9/30/2025

<u>Month</u>	<u>Amount Billed</u>	<u>Amount Remitted to Trustee</u>	<u>Difference</u>
July 2025	\$1,828,529	\$1,828,529	\$0
August 2025	\$1,828,529	\$1,828,529	\$0
September 2025	<u>\$1,828,529</u>	<u>\$1,828,529</u>	<u>\$0</u>
<b>Total</b>	<b>\$5,485,587</b>	<b>\$5,485,587</b>	<b>\$0</b>

### **Bond Surcharge Account Balances**

All surcharge payments are deposited with the Bank of New York, the Trustee, which manages BAWSCA's accounts and administers debt service payments. BAWSCA's account balances at the Trustee and the account activities in the past quarter are shown in Table 2.

Table 2: Bank of New York Bond Trustee Account Activity for Quarter Ending 9/30/2025

	<b>30,895,851</b>	<b>Account Market Value as of 6/30/2025</b>
plus:	5,139,637*	<i>Surcharge Collected in July 2025 through September 2025</i>
plus:	381,327	<i>Money Market Fund Interest, Security Coupons/Accrued Interest Received</i>
plus:	56,974	<i>Change in Market Value of Held and Matured Treasury Bonds</i>
plus:	(23,600)	<i>Reimbursement to BAWSCA for bond administration expenses</i>
	<b>36,450,189</b>	<b>Account Market Value as of 9/30/2025</b>

\*This amount represents the cash received in the months of July through September, which will not match the amount shown in Table 1 due to timing of remittance of payments.

By the end of the third quarter of 2025, short term rates declined by as much as 40 basis points while rates in the 2-5 year range decreased by roughly 5-10 basis points as economic uncertainty remained elevated. In April 2025, BAWSCA re-evaluated its investment strategy for the bond stabilization fund during the annual review of the Investment Policy.

BAWSCA's longer-term 0-5 year laddered maturity investment strategy continues to provide important yield curve diversification against both market price and reinvestment rate risks consistent with BAWSCA's risk tolerances and primary investment objectives. With its laddered maturity structure, the fund has been able to systematically reinvest maturing proceeds into currently available longer-term securities, helping to lock in prevailing yields and reduce future reinvestment risk.

Just prior to security maturities on September 30, 2025, the book yield and market yield on BAWSCA's revised portfolio strategy was 3.18% and 3.29% respectively, as compared to the yield of 4.05% for the money market fund.

All investment interest earnings are deposited directly in the Trustee account and will be used to pay for future expenses and debt service of the bonds. Ultimately, all interest earnings are returned to the member agencies through annual savings and through distribution of the Stabilization Fund, including interest, once the bonds are fully paid.

#### **Revenue Bond Series 2023A and Series 2013B Debt Service Payment Status**

The recent debt service payment of \$17,986,572 was made on October 1, 2025. It was paid using the bond surcharges collected from the agencies, consistent with the bond indenture. The next debt service payment of \$3,675,887 will be made on April 1, 2026. There are sufficient funds in the Trustee account to make the payment. Debt service payments are made on April 1st and October 1st of each year until 2034.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:** **Proposed Fiscal Year 2026-27 Bond Surcharges**

**Summary:**

This memorandum presents the proposed FY 2026-27 bond surcharge for each BAWSCA agency. The surcharge would take effect on July 1, 2026. This surcharge setting conforms to BAWSCA's Revenue Bond Indenture (Indenture) and reflects the savings generated from the settlement of the 2023A bonds to refund the 2013A bonds executed on January 5, 2023.

**Board Policy Committee Action:**

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

**Recommendation:**

**That the Board approve the proposed FY 2026-27 bond surcharges as presented in Table 1 in this memorandum.**

**Discussion:**

The bond surcharge for each BAWSCA agency is typically a fixed annual amount that is adopted each fiscal year by the Board to ensure collection of necessary revenue to pay that year's obligated debt service. The bond surcharges are calculated in total to meet the requirements of the Bond Indenture entered into in connection with the 2013 and 2023 bond transactions to prepay the capital payments that BAWSCA agencies owed to SFPUC under the Water Supply Agreement (WSA) and to refund the 2013A Bonds, respectively.

The annual surcharges for FY 2026-27 reflect the savings from the prepayment program and the refunding transaction in January 2023. The proposed FY 2026-27 bond surcharges are calculated by multiplying the obligated debt service in 2027, minus a credit for excess bond funds, by each agency's percentage of total wholesale customer purchases in FY 2024-25 and adding a "true up" adjustment for the FY 2024-25 surcharges. One-twelfth of the annual surcharge, or the monthly surcharge, will be included in the first water bill sent from San Francisco to the BAWSCA agencies each month. The reason FY 2024-25's purchases are used for the FY 2026-27 surcharge calculations is because they represent the latest annual purchase data available as of today. For the same reason, the FY 2025-26 surcharges were calculated based on the latest annual purchase data available at that time, not FY 2024-25's. The "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2024-25 and to reimburse BAWSCA for some expenses incurred in FY 2024-25 in connection with the bond administration that were paid through BAWSCA's FY 2024-25 Operating Budget.

Per the Indenture, the Stabilization Fund at the Trustee has been reviewed and no replenishment amount is determined necessary at this time.

The proposed FY 2026-27 bond surcharge for each BAWSCA agency is shown in Table 1.

**Table 1. Proposed BAWSCA FY2026-27 Bond Surcharges**

<b>Agency</b>	<b>Annual Bond Surcharge</b>	<b>Monthly Bond Surcharge</b>	<b>Agency</b>	<b>Annual Bond Surcharge</b>	<b>Monthly Bond Surcharge</b>
Alameda County WD	\$1,535,880	\$127,990	Mid Pen WD	\$377,088	\$31,424
Brisbane Water	\$108,132	\$9,011	Millbrae	\$359,100	\$29,925
Burlingame	\$533,820	\$44,485	Milpitas	\$936,804	\$78,067
Coastside County WD	\$209,004	\$17,417	Mountain View	\$1,388,964	\$115,747
CWS - Bear Gulch	\$1,811,148	\$150,929	North Coast WD	\$486,480	\$40,540
CWS - Mid Peninsula	\$1,937,088	\$161,424	Palo Alto	\$1,593,528	\$132,794
CWS - South SF	\$435,240	\$36,270	Purissima Hills WD	\$273,348	\$22,779
Daly City	\$583,236	\$48,603	Redwood City	\$1,352,556	\$112,713
East Palo Alto WD	\$334,752	\$27,896	San Bruno	\$160,572	\$13,381
Esterio Municipal ID	\$646,980	\$53,915	San Jose (North)	\$665,568	\$55,464
Guadalupe Valley	\$23,220	\$1,935	Santa Clara	\$471,084	\$39,257
Hayward	\$2,348,820	\$195,735	Stanford University	\$286,968	\$23,914
Hillsborough	\$411,216	\$34,268	Sunnyvale	\$2,025,288	\$168,774
Menlo Park	\$473,364	\$39,447	Westborough WD	\$102,564	\$8,547
<b>Total</b>				<b>\$21,871,812</b>	<b>\$1,822,651</b>

**Background:**

In 2013, BAWSCA issued Revenue Bond Series 2013A and Series 2013B to prepay the remaining capital cost recovery payments that the BAWSCA agencies owed San Francisco as of June 30, 2013, when the payments were paid off. The total bonds were issued in par amount of \$335.8 million, including a callable portion of Series 2013A tax-exempt bonds. The bond transaction and the prepayment program resulted in approximately \$62.3 million in net present value savings over the term of the bonds until 2034.

On January 5, 2023, BAWSCA completed the settlement of the 2023A bonds to refund the 2013A bonds based on a tax-exempt forward delivery. The total principal amount of the 2023A bonds issued were \$134.310 million at an all-in true interest rate of 2.06%. This refunding bond transaction will generate approximately \$27.1 million in net present value savings over the term of the bonds, starting in FY 2022-23. The combined net present value savings from recent refunding, along with the savings from the original 2013 bond issuance, will be approximately \$89.4 million to the water customers that BAWSCA represents from 2013 to 2034, or an annual average savings of \$6 million from 2023 to 2034 when the bonds will be paid off.

BAWSCA has been collecting bond surcharges from member agencies since July 2013 through the SFPUC as a separate item on SFPUC's monthly water bills to BAWSCA agencies. FY 2026-27 will be the fourteenth year for BAWSCA to collect the bond surcharge payments that are used to make debt service payments on BAWSCA's revenue bonds.

**Calculating the "True Up" Adjustment**

The FY 2026-27 bond surcharge setting includes a "true up" adjustment included in the calculation. This "true up" adjustment is used to reflect each agency's actual percentage of water purchases in FY 2024-25 and to reimburse BAWSCA for some expenses incurred in FY 2024-25 in connection with the bond administration that were paid through BAWSCA's FY 2024-

## January 15, 2026 – Agenda Item #9G

25 Operating Budget. Those expenses include the fees to Bank of New York for its Trustee services and the costs of legal, financial advisor, investment advisor, and arbitrage rebate consultant. A “true up” adjustment is anticipated every year as part of the calculation of the Annual Bond Surcharge.

The annual surcharges collected from BAWSCA agencies in FY 2024-25 were calculated by multiplying the obligated debt service in 2025 by each agency’s percentage of total wholesale customer purchases in FY 2022-23. FY 2022-23 purchases were used as a surrogate for FY 2024-25 purchases, which were not known when the FY 2024-25 bond surcharges were adopted.

Now that the actual wholesale customer purchases for FY 2024-25 and the actual expenses incurred in FY 2024-25 in connection with the bond administration are available, the actual surcharges for FY 2024-25 are calculated again by multiplying a sum of the obligated debt service in 2025 and the actual expenses incurred in FY 2024-25 by each agency’s percentage of total wholesale customer purchases in FY 2024-25.

The difference between the surcharges that were actually collected in FY 2024-25, which were based on the surrogate purchase values, and the actual surcharges for FY 2024-25, which are based on actual FY 2024-25 purchases, are one component of the “true up” adjustments to be included in the annual surcharge setting for FY 2026-27. The second component of the “true up” adjustment is the inclusion of \$37,376 of actual expenses incurred by BAWSCA in FY 2024-25 in connection with the bond administration, which represents less than 0.2% of the annual debt service of the bonds in 2027. In addition, pursuant to the Prepayment and Collection Agreement between BAWSCA and San Francisco, BAWSCA shall reimburse San Francisco for specific expenses incurred for compliance with tax-exempt regulations. A “true up” adjustment for FY 2026-27 will be included in the surcharge setting for FY 2028-29.

Table 2 shows how the “true up” adjustment for each BAWSCA agency is determined and included in the proposed FY 2026-27 surcharge amount. Table 3 indicates how much the capital recovery payment cost would have been in FY 2024-25 (column A) if BAWSCA didn’t issue the bonds to prepay the capital debt that the agencies owed to San Francisco. The actual savings to each agency in FY 2024-25 (column E) from both the original 2013 prepayment and the 2023 refunding are calculated accordingly.

**Table 2. Impact of FY 2024-25 True-up Adjustment on FY 2026-27 Proposed Surcharges**

Agency	FY 2024-25			FY 2026-27	
	Surcharge Collected (Based on FY 2022-23 Purchase)	Surcharge Obligation (Based on FY 2024-25 Purchase)	Difference: True-up Amount	Surcharge To Be Collected (Based on FY 2024-25 Purchase)	Proposed Surcharge Incl. True-up Amount for FY 2024-25
Alameda County WD	\$1,917,862	\$1,731,235	(\$186,627)	\$1,722,513	\$1,535,880
Brisbane Water	\$70,873	\$89,730	\$18,858	\$89,278	\$108,132
Burlingame	\$601,752	\$569,222	(\$32,530)	\$566,354	\$533,820
Coastside County WD	\$138,591	\$174,234	\$35,643	\$173,356	\$209,004
CWS - Bear Gulch	\$1,761,726	\$1,790,947	\$29,221	\$1,781,924	\$1,811,148
CWS - Mid Peninsula	\$2,079,148	\$2,013,191	(\$65,957)	\$2,003,049	\$1,937,088
CWS - South SF	\$1,031,494	\$735,216	(\$296,278)	\$731,512	\$435,240
Daly City	\$587,845	\$587,018	(\$827)	\$584,061	\$583,236
East Palo Alto WD	\$255,271	\$295,757	\$40,486	\$294,267	\$334,752
Estero Municipal ID	\$650,165	\$650,209	\$44	\$646,933	\$646,980
Guadalupe Valley	\$28,211	\$25,783	(\$2,428)	\$25,653	\$23,220
Hayward	\$2,328,456	\$2,344,544	\$16,088	\$2,332,732	\$2,348,820
Hillsborough	\$382,014	\$397,618	\$15,604	\$395,615	\$411,216
Menlo Park	\$459,001	\$467,357	\$8,356	\$465,002	\$473,364
Mid Pen WD	\$425,143	\$402,127	(\$23,016)	\$400,101	\$377,088
Millbrae	\$261,519	\$311,091	\$49,572	\$309,524	\$359,100
Milpitas	\$831,245	\$886,254	\$55,010	\$881,789	\$936,804
Mountain View	\$1,246,210	\$1,320,917	\$74,706	\$1,314,262	\$1,388,964
North Coast WD	\$375,051	\$431,851	\$56,800	\$429,676	\$486,480
Palo Alto	\$1,595,746	\$1,598,665	\$2,919	\$1,590,611	\$1,593,528
Purissima Hills WD	\$244,670	\$259,664	\$14,995	\$258,356	\$273,348
Redwood City	\$1,334,797	\$1,347,070	\$12,274	\$1,340,284	\$1,352,556
San Bruno	\$193,193	\$177,328	(\$15,865)	\$176,435	\$160,572
San Jose (North)	\$701,509	\$685,264	(\$16,245)	\$681,811	\$665,568
Santa Clara	\$524,327	\$498,964	(\$25,363)	\$496,450	\$471,084
Stanford University	\$256,369	\$272,354	\$15,985	\$270,982	\$286,968
Sunnyvale	\$1,496,551	\$1,765,369	\$268,818	\$1,756,475	\$2,025,288
Westborough WD	\$128,881	\$116,016	(\$12,865)	\$115,431	\$102,564
<b>Totals</b>	<b>\$21,907,621</b>	<b>\$21,944,998</b>	<b>\$37,376</b>	<b>\$21,834,437</b>	<b>\$21,871,812</b>

**Table 3. Actual Savings to Each Agency for FY 2024-25 Resulting from BAWSCA 2013 and 2023 Bond Issuance**

Agency	SFPUC Capital Recovery Payment*	Annual Surcharge Collected in FY 2024-25	True-ups To Be Collected or Refunded in FY 2026-27	BAWSCA Annual Surcharge Plus True-ups	Actual Savings
	A	B	C	D = B + C	E = A - D
Alameda County WD	\$2,224,691	\$1,917,862	(\$186,627)	\$1,731,235	\$493,456
Brisbane Water	\$115,306	\$70,873	\$18,858	\$89,730	\$25,576
Burlingame	\$731,468	\$601,752	(\$32,530)	\$569,222	\$162,246
Coastside County WD	\$223,896	\$138,591	\$35,643	\$174,234	\$49,662
CWS - Bear Gulch	\$2,301,423	\$1,761,726	\$29,221	\$1,790,947	\$510,475
CWS - Mid Peninsula	\$2,587,013	\$2,079,148	(\$65,957)	\$2,013,191	\$573,822
CWS - South SF	\$944,776	\$1,031,494	(\$296,278)	\$735,216	\$209,559
Daly City	\$754,337	\$587,845	(\$827)	\$587,018	\$167,318
East Palo Alto WD	\$380,057	\$255,271	\$40,486	\$295,757	\$84,300
Estero Municipal ID	\$835,538	\$650,165	\$44	\$650,209	\$185,330
Guadalupe Valley	\$33,131	\$28,211	(\$2,428)	\$25,783	\$7,349
Hayward	\$3,012,812	\$2,328,456	\$16,088	\$2,344,544	\$668,268
Hillsborough	\$510,951	\$382,014	\$15,604	\$397,618	\$113,333
Menlo Park	\$600,568	\$459,001	\$8,356	\$467,357	\$133,211
Mid Pen WD	\$516,746	\$425,143	(\$23,016)	\$402,127	\$114,619
Millbrae	\$399,761	\$261,519	\$49,572	\$311,091	\$88,671
Milpitas	\$1,138,864	\$831,245	\$55,010	\$886,254	\$252,610
Mountain View	\$1,697,419	\$1,246,210	\$74,706	\$1,320,917	\$376,502
North Coast WD	\$554,942	\$375,051	\$56,800	\$431,851	\$123,091
Palo Alto	\$2,054,334	\$1,595,746	\$2,919	\$1,598,665	\$455,669
Purissima Hills WD	\$333,677	\$244,670	\$14,995	\$259,664	\$74,012
Redwood City	\$1,731,027	\$1,334,797	\$12,274	\$1,347,070	\$383,957
San Bruno	\$227,872	\$193,193	(\$15,865)	\$177,328	\$50,544
San Jose (North)	\$880,585	\$701,509	(\$16,245)	\$685,264	\$195,321
Santa Clara	\$641,184	\$524,327	(\$25,363)	\$498,964	\$142,220
Stanford University	\$349,983	\$256,369	\$15,985	\$272,354	\$77,629
Sunnyvale	\$2,268,554	\$1,496,551	\$268,818	\$1,765,369	\$503,185
Westborough WD	\$149,084	\$128,881	(\$12,865)	\$116,016	\$33,068
<b>Totals</b>	<b>\$28,200,000</b>	<b>\$21,907,621</b>	<b>\$37,376</b>	<b>\$21,944,998</b>	<b>\$6,255,002</b>

\* SFPUC Capital Recovery Payment represents the annual amount that each agency would have owed San Francisco if the obligations were not prepaid in 2013

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**BOARD OF DIRECTORS MEETING**

**Agenda Title:** Potential Additional One-time Payment to CalPERS to Reduce BAWSCA's Unfunded Pension Liability

**Summary:**

On April 9, 2025, the Board Policy Committee (BPC) asked staff to evaluate BAWSCA's fiscal situation at the conclusion of FY 2024-25 to consider using some of the General Reserve balance to make an Additional Discretionary Payment (ADP) to CalPERS to reduce BAWSCA's unfunded pension liability. This memo presents the findings of the recent evaluation.

Per the latest CalPERS actuarial valuation as of June 30, 2024, BAWSCA's pension Unfunded Accrued Liability (UAL) as of the same date was \$1,209,958, which sets the CalPERS minimum required contributions for FY 2026-27. This is estimated to be paid off in 2043 based on CalPERS' current amortization schedule and its discount rate of 6.8%.

**Fiscal Impact:**

There is no financial impact on BAWSCA's FY 2025-26 Operating Budget from this potential additional one-time payment to CalPERS to reduce BAWSCA's UAL, as the payment would be funded by the General Reserve.

**Board Policy Committee Action:**

The estimated results of five ADP contribution funding options were presented to the Committee for discussion at its December 10<sup>th</sup> meeting. During the discussion, Option 2 received the most support. Option 2 proposes to make an additional one-time payment of \$200,000 funded by the General Reserve to CalPERS to reduce BAWSCA's UAL. Some Committee members also supported making no additional payment and making a more substantial payment of \$250,000. Based on the "opinion poll" results and the Committee's discussion, the funding options were narrowed down from five to three for BAWSCA Board consideration.

**Recommendation:**

That the Board approve a funding approach out of the three options presented in this memo.

**Discussion:**

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

**BAWSCA's CalPERS Pension Plan Funded Status**

Per the latest CalPERS actuarial valuation, BAWSCA's UAL as of June 30, 2024 was \$1,209,958, which is scheduled to be paid off in 2043, based on a discount rate of 6.8%. The UAL represents the liability for service that has been earned but not funded. Based on the current amortization

schedule, BAWSCA's minimum required employer contribution towards the UAL for FY 2026-27 is \$123,749.

Due to CalPERS' increased investment earnings of 11.6% during FY 2024-25, CalPERS currently projects BAWSCA's UAL as of June 30, 2025 to be reduced to \$928,000, and the funded ratio is estimated to be increased to 87.5%. The funded ratio is an assessment of the sufficiency of plan assets to cover future employee benefits for completed service years.

BPC Favors Additional One-time Payment to CalPERS out of Four Voluntary Additional Pension UAL Funding Options Available

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

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

In addition, staff presented the estimated present value savings based on three alternative amortization terms under Option 1 and Option 2, compared against the current CalPERS 20-year amortization schedule. At that time, the BPC indicated a preference for considering ADPs, which can reduce the UAL and result in long-term savings, while not requiring an ADP to be made in any future year.

At the BPC meeting on April 9, 2025, staff presented two approaches for BAWSCA to make ADPs. The options are:

1. Contribute ADPs to CalPERS as part of the FY 2025-26 operating budget.
2. Consider Board action to contribute ADPs in January 2026 after reviewing the FY 2024-25 audited financial statements and any realized changes in the General Reserve.

Based on the discussions, the BPC voted for option 2 and planned to re-evaluate BAWSCA's fiscal situation at its December 2025 meeting to consider using any General Reserve balance to fund an ADP at that time.

The BAWSCA General Reserve balance as of October 31, 2025, was \$1,204,265. Per the audited financial report accepted by BAWSCA Board on November 20, 2025, the unspent funds at the end of FY 2024-25 were \$500,997 and this was deposited into the General Reserve at the end of November. With that deposit, the General Reserve balance has increased to \$1,705,262, or 31% of the adopted FY 2025-26 Operating Budget of \$5,547,732. Per BAWSCA's General Reserve Policy, the guideline for the balance in the General Reserve is 20%-35% of the annual operating budget.

One-Time Additional Payment Funding Approaches

The estimated results of five different one-time payment funding options were presented to the Committee for discussion at its December 10, 2025 meeting. As a result, the Committee narrowed down the funding options from five to three, as shown in Table 1, and also summarized below.

- Option 1: No additional payments beyond CalPERS' minimum required employer contributions yields NPV savings of \$0 and maintains Reserve/Budget ratio at 31%. UAL to be paid off by 2042.
- Option 2: Payment of \$200,000 yields NPV savings of \$32,000 and reduces

Reserve/Budget ratio to 27%. UAL to be paid off by 2037.

- Option 3: Payment of \$300,000 yields NPV savings of \$46,000 and reduces Reserve/Budget ratio to 25%. UAL to be paid off by 2034.

The Chair of the BPC asked each Committee member's preference of the alternative funding approaches. Option 2 (\$200,000) received the highest level of support with five votes, while Option 0 (no payment) and Option 3 (\$250,000) also received support.

Another consideration in this recommendation may be the potential use of some reserve to fund the annual agency budget for FY 2026-27. In past years, use of some reserve funds to reduce annual assessment growth has been a common practice for the agency.

**Table 1. Alternative Additional One-time Payment Funding Approaches**

	CalPERS Actuarial 6/30/2024	CalPERS Projected 6/30/2025	Option 1	Option 2	Option 3
<b>General Reserve Balance as of 10/31/25</b>		\$1,204,265			
<b>Unspent Funds from FY24-25</b>		\$500,997			
<b>General Reserve Balance as of 11/30/25</b>		\$1,705,262			
<b>Additional Payment to CalPERS Pension Funded by Reserves</b>			\$0	\$200,000	\$300,000
<b>Estimated Reserve After Funding Additional Payment to CalPERS</b>			\$1,705,262	\$1,505,262	\$1,405,262
<b>General Reserve to Budget Ratio<sup>(1)</sup></b>			31%	27%	25%
<b>CalPERS UAL<sup>(2)</sup></b>	\$1,209,958	\$928,000			
<b>Estimated UAL Pay Off Year<sup>(3)</sup></b>	2043	2042	2042	2037	2034
<b>Resulted from Previous Year's Investment Earning</b>	9.3%	11.6%			
<b>CalPERS Estimated Investment Return</b>	6.8%	6.8%	6.8%	6.8%	6.8%
<b>UAL Funded Ratio</b>	82.7%	87.5%	87.5%	91.4%	92.7%
<b>Estimated PV Savings<sup>(4)</sup></b>			\$0	\$32,000	\$46,000

*Note:*

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

(2) CalPERS reported BAWSCA's UAL as of 6/30/2024 to be \$1,209,958 and projected the UAL as of 6/30/2025 to be \$928,000 due to the investment return of 11.6% in FY 2024-25.

(3) Estimated UAL payoff year is based on the projected UAL as of 6/30/2025.

(4) The estimated present value savings are calculated based on assumed payment date of March 31, 2026 and CalPERS assumed annual investment return of 6.8% and a discount rate of 4.5% per year for present value calculations, assuming CalPERS current actuarial assumptions remain unchanged and CalPERS' experience exactly matches its actuarial assumptions in the future.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

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

**Summary:**

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

Per the latest CalPERS actuarial valuation as of June 30, 2024, BAWSCA's pension Unfunded Accrued Liability (UAL) as of the same date was \$1,209,958, which sets the CalPERS minimum required contributions for FY 2026-27. This is estimated to be paid off in 2043 based on CalPERS' current amortization schedule and its discount rate of 6.8%.

**Fiscal Impact:**

BAWSCA's FY 2025-26 Operating Budget includes the CalPERS required employer contributions of \$292,495, which represents 5.3% of the annual budget of \$5,547,732.

**Recommendation:**

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

**Discussion:**

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

Per the latest CalPERS actuarial valuation as of June 30, 2024 provided as Attachments 1 ([under separate cover](#)), BAWSCA's unfunded pension liability was \$1,209,958, which is estimated to be paid off by 2043, based on a discount rate of 6.8%. The UAL represents the liability for service that has been earned but not funded. Based on the current amortization schedule, BAWSCA's minimum required employer contribution towards the UAL for FY 2026-27 is \$123,749.

**BAWSCA's CalPERS Pension Plan Funded Status**

The measure of funded status is an assessment of the sufficiency of plan assets to cover future employee benefits for completed service years. The Present Value of Projected Benefits (PVB) presents the total value of all future pension liabilities for current and former employees. The Unfunded Accrued Liability (UAL) is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. BAWSCA's latest CalPERS pension plan funded status is summarized in Table 1.

Table 1. Summary of BAWSCA's Pension Plan Funded Status as of 6/30/2024

Actuarial Calculation	CalPERS "Misc." Plan Value
a. Present Value of Projected Benefits (PVB)	\$9,032,899
b. Entry Age Normal Accrued Liability (AL)	\$6,980,936
c. Market Value of Assets (MVA)	\$5,770,978
d. Unfunded Accrued Liability (UAL) =b-c	\$1,209,958
e. Funded Ratio =c/b	82.7%

SFPUC's Pension Liability Funded Status Update

The SFPUC participates in a cost-sharing multiple-employer defined benefit pension plan (the Plan) that is maintained by the City and County of San Francisco (San Francisco) and administered by the San Francisco City and County Employees' Retirement System (SFERS). In addition, the SFPUC also participates in the Replacement Benefits Plan (RBP) that allows San Francisco to pay SFERS retirees any portion of the mandated retirement allowance that exceeds the annual IRS Section 415 limits.

*SFPUC Share of Net San Francisco Liability.* Per the San Francisco Controller's Office, San Francisco's unaudited total net pension liability as of June 30, 2024 was \$3.913 billion that includes \$3.776 billion in SFERS and \$0.137 billion in RBP. The SFPUC's proportionate share was 7.44% of San Francisco's net pension liability, or \$291.297 million that includes \$166.978 million for the Water Enterprise and \$20.410 million for Hetchy Water, based on a discount rate of 7.2%. For context, SFPUC's FY 2024-25 operating budget, which includes pension benefit payments, was \$2.023 billion. The latest SFERS Actuarial Valuation Report as of July 1, 2024 is provided for your reference in Attachment 2 (under separate cover)

*SFPUC Share of Total Contributions.* For FY 2024-25, SFPUC's estimated proportionate share of employer contributions was \$48.529 million, which includes \$27.653 million for the Water Enterprise and \$3.518 million for Hetchy Water.

BAWSCA Advisors' Analysis on Member Agencies Accounting Treatment of SFPUC's Unfunded OPEB and Pension Liabilities

In October 2024, BAWSCA consulted with its auditors Chavan & Associates, LLP on the Board's concerns related to the SFPUC's current level of the unfunded OPEB and pension liabilities and potential risk to the Wholesale Customers.

More recently, BAWSCA confirmed with the auditors that their opinion remains the same. The auditors believe that the SFPUC's unfunded OPEB and pension liabilities are not liabilities of BAWSCA or its member agencies. There are no accounting guidelines that would require BAWSCA agencies to report their share of SFPUC's unfunded OPEB and pension liabilities in the agencies' financial statements. The auditors are unaware of any future obligation that the BAWSCA agencies would have in relation to SFPUC's unfunded OPEB and pension liabilities. A copy of the 2024 letter from Chavan & Associates with further clarifications is shown in Exhibit A.

The SFPUC prepares a cash budget, including retirement benefit payments based on pay as you go and Trust Fund contributions as part of the benefits portion of salary. Through the established wholesale water rates, BAWSCA agencies pay the wholesale customers' share of SFPUC's OPEB and pension benefits costs attributable to SFPUC's current and retired employees.

BAWSCA also consulted with its legal counsel, which confirmed that per the Water Supply Agreement (WSA), BAWSCA agencies should only pay their share of expenses of SFPUC operations from which they receive benefit. BAWSCA agencies' share of the SFPUC's labor costs, including OPEB and pension benefits, is calculated based on the terms specified in the WSA. BAWSCA's legal counsel agreed with the results of the auditors' analysis as stated above.

**Attachments (Under Separate Cover):**

1. [Item 11A – Attachment 1](#): BAWSCA's CalPERS Actuarial Valuation Report as of June 30, 2024
2. [Item 11A – Attachment 2](#): City and County of San Francisco Employees' Retirement System Actuarial Valuation Report as of June 30, 2024

(This page was intentionally left blank)



To the Board of Directors of  
the Bay Area Water Supply and Conservation Agency

As the auditors of the Bay Area Water Supply and Conservation Agency (BAWSCA), management has consulted with us regarding the Board's concerns related to the San Francisco Public Utility Commission's (SFPUC) current level of unfunded OPEB and pension liabilities, and the potential risk to wholesale customers related to these liabilities.

Based on current governmental accounting standards, SFPUC's unfunded OPEB and pension liabilities are not liabilities of BAWSCA or its member agencies. There are no accounting guidelines that would require BAWSCA member agencies to report a share of SFPUC's unfunded OPEB and pension liabilities in the agencies' financial statements. We are unaware of any future obligation that the BAWSCA member agencies would have in relation to SFPUC's unfunded OPEB and pension liabilities.

BAWSCA member agencies pay the wholesale customers' share of SFPUC's OPEB and pension benefits costs attributable to SFPUC's current and retired employees through the established wholesale water rates. The allocable costs of SFPUC's employee benefits are included in the determination of the wholesale water rates and are based on SFPUC's annual pay as you go OPEB and pension contributions.

This communication is intended solely for the information and use of management, the Board, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*C & A LLP*

October 24, 2024  
Morgan Hill, California

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**BOARD OF DIRECTORS MEETING**

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

**Summary:**

BAWSCA participates in the California Employers' Retiree Benefit Trust (CERBT) program, administered by CalPERS, to prefund the agency's Other Post-Employment Benefits (OPEB) obligations. Since entering the CERBT program on April 26, 2014 through November 30, 2025, BAWSCA has had total contributions of \$1,120,731 and investment earnings of \$565,472. The average annual rate of return was 6.06%.

As of November 30, 2025, BAWSCA's unfunded OPEB liability, also known as Net OPEB Liability, was \$1,548,253, which is estimated to be paid off by 2036 based on the current amortization schedule. The total OPEB liability has been 52% funded based on a discount rate of 5.5%, which is lower and more conservative than the CERBT's expected long-term rate of return for Strategy 2 asset allocation at 6.1%.

**Fiscal Impact:**

BAWSCA's FY 2025-26 Operating Budget includes a CERBT contribution of \$85,000 to fully fund the annual OPEB expense for FY 2025-26 per the actuarial valuation as of June 30, 2025 based on a discount rate of 5.5%. This amount was deposited into BAWSCA's CERBT account in July 2025.

**Recommendation:**

This item is for informational purposes only.

**Discussion:**

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

BAWSCA participates in CERBT's Strategy 2 asset allocation portfolio. Over the past 11 years (from inception to November 30, 2024), BAWSCA's average annual rate of return was 6.06%. Per the CERBT, the longer the investments are in the trust, the more they gradually align closer to their 20-year expected rate of return of 6.1% that was adopted by CalPERS in August 2024. According to CERBT's investment benchmarks, their long-term gross investment returns continue to outperform the public market and Local Agency Investment Fund (LAIF) where BAWSCA's fund was previously invested.

In consideration of the actual investment performance of BAWSCA funds deposited at the CERBT, BAWSCA and its actuary determined that the same discount rate of 5.5% as used in last year's valuation continues to be the most reasonable for the recent valuation as of June 30, 2025 provided as Attachment 1 ([under separate cover](#)). In general, a lower discount rate results

in a higher annual OPEB expense and a decreased funded status but will reduce the agency's unfunded liability risk from overly optimistic interest rate assumptions in the future.

As of June 30, 2025, BAWSCA's unfunded OPEB liability was \$1,548,253. The unfunded OPEB liability represents the excess of the total OPEB liability of \$3,226,796 over the value of assets of \$1,678,543 that have been accumulated in the CERBT trust. The total OPEB liability is the actuarial present value of projected benefit payments that have been earned by employees based on past years of service. As of June 30, 2025, BAWSCA's total OPEB liability has been 52% funded based on a discount rate of 5.5%.

The table below provides a summary of BAWSCA's CERBT account as of November 30, 2025.

<b>CERBT Account Summary as of November 30, 2025</b>	
Total Contributions (Initial contribution made on 4/26/2014)	\$1,120,731
Total Disbursements	-
Total CERBT Expenses	(\$7,660)
Total Investment Earnings	\$565,472
Total Assets	\$1,678,543
Current Asset Allocation Strategy Selection	CERBT Strategy 2
CERBT 20-Year Expected Rate of Return	6.1%
BAWSCA's Discount Rate Used in OPEB Actuarial Valuation as of June 30, 2025	5.5%
BAWSCA Actual Cumulative Annualized Rate of Return* from Inception (4/26/2014) through 11/30/2025	6.06%
BAWSCA Net OPEB Liability as of 11/30/2025 (Estimated to Be Paid Off by 2036)	\$1,548,253
Funded Status	52%

\*Net of fees

#### SFPUC's OPEB Liability Funded Status Update

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

*SFPUC Share of Net San Francisco Liability.* Per San Francisco's latest OPEB actuarial valuation as of June 30, 2024 as provided in Attachment 2 (under separate cover), the total San Francisco net OPEB liability was \$3.922 billion, which is estimated to be paid off by 2045. San Francisco's net OPEB liability is calculated by subtracting the Trust Fund balance of \$1.223 billion from San Francisco's total liability of \$5.144 billion. The SFPUC's proportionate share was 6.46% of San Francisco's net OPEB liability, or \$253.147 million, that includes \$161.975 million for the Water Enterprise and \$16.590 million for Hetchy Water, based on a discount rate

of 7.0%. For context, the SFPUC's FY 2024-25 operating budget, which includes contributions to the Trust Fund and pay as you go benefits payments, was \$2.023 billion.

*SFPUC Share of Total Contributions.* For FY 2024-25, the SFPUC's proportionate share of the City's contribution to the Trust Fund was \$19.425 million, which includes \$12.429 million for the Water Enterprise and \$1.273 million for Hetchy Water.

**BAWSCA Advisors' Analysis of Member Agencies Accounting Treatment of SFPUC's Unfunded OPEB and Pension Liabilities**

In October 2024, BAWSCA consulted with its auditors Chavan & Associates, LLP on the Board's concerns related to the SFPUC's current level of the unfunded OPEB and pension liabilities and potential risk to the Wholesale Customers.

More recently, BAWSCA confirmed with the auditors that their opinion remains the same. The auditors believe that the SFPUC's unfunded OPEB and pension liabilities are not liabilities of BAWSCA or its member agencies. There are no accounting guidelines that would require BAWSCA agencies to report their share of SFPUC's unfunded OPEB and pension liabilities in the agencies' financial statements. The auditors are unaware of any future obligation that the BAWSCA agencies would have in relation to SFPUC's unfunded OPEB and pension liabilities. A copy of the 2024 letter from Chavan & Associates with further clarifications is shown in Exhibit A.

The SFPUC prepares a cash budget, including retirement benefit payments based on pay as you go and Trust Fund contributions as part of the benefits portion of salary. Through the established wholesale water rates, BAWSCA agencies pay the wholesale customers' share of SFPUC's OPEB and pension benefits costs attributable to SFPUC's current and retired employees.

BAWSCA also consulted with its legal counsel, who confirmed that per the Water Supply Agreement (WSA), BAWSCA agencies should only pay their share of expenses of SFPUC operations from which they receive benefit. BAWSCA agencies' share of the SFPUC's labor costs, including OPEB and pension benefits, is calculated based on the terms specified in the WSA. BAWSCA legal counsel agreed with the results of the auditors' analysis as stated above.

**Attachments (Under Separate Cover):**

1. [Item 11B – Attachment 1](#): BAWSCA OPEB Actuarial Valuation as of June 30, 2025
2. [Item 11B – Attachment 2](#): City and County of San Francisco OPEB Actuarial Valuation as of June 30, 2024

(This page was intentionally left blank)



To the Board of Directors of  
the Bay Area Water Supply and Conservation Agency

As the auditors of the Bay Area Water Supply and Conservation Agency (BAWSCA), management has consulted with us regarding the Board's concerns related to the San Francisco Public Utility Commission's (SFPUC) current level of unfunded OPEB and pension liabilities, and the potential risk to wholesale customers related to these liabilities.

Based on current governmental accounting standards, SFPUC's unfunded OPEB and pension liabilities are not liabilities of BAWSCA or its member agencies. There are no accounting guidelines that would require BAWSCA member agencies to report a share of SFPUC's unfunded OPEB and pension liabilities in the agencies' financial statements. We are unaware of any future obligation that the BAWSCA member agencies would have in relation to SFPUC's unfunded OPEB and pension liabilities.

BAWSCA member agencies pay the wholesale customers' share of SFPUC's OPEB and pension benefits costs attributable to SFPUC's current and retired employees through the established wholesale water rates. The allocable costs of SFPUC's employee benefits are included in the determination of the wholesale water rates and are based on SFPUC's annual pay as you go OPEB and pension contributions.

This communication is intended solely for the information and use of management, the Board, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*C & A LLP*

October 24, 2024  
Morgan Hill, California

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:** 2025 Regional Water Demand and Conservation Study

**Summary:**

This memorandum provides the results of the 2025 Regional Water Demand and Conservation Study (2025 Demand Study). The 2025 Demand Study Final Report is posted on the BAWSCA website.

BAWSCA facilitates a demand study every five years to provide updated, agency-specific water demand forecasts and conservation assessments for regional and individual agency planning efforts (e.g., Strategy 2050 and Urban Water Management Plans (UWMPs)). Demand projections are not predictions of the future but rather are based on a specific set of assumptions expected to occur over the planning horizon. Demand studies cannot predict the timing of external factors or shocks that may significantly influence water use, such as drought, severe economic downturn, or a global pandemic.

The baseline demand projections are grounded in member agency-approved demographic projections, climate-adjusted temperature scenarios, and best-practice efficiency standards. The process incorporated extensive feedback from the member agencies, ensuring that the assumptions reflect both regional trends and local planning realities. Table 1 provides regional baseline demand projections through 2050 with passive and active conservation savings in million gallons per day (mgd).

**Table 1: Summary of Baseline Regional Water Demand Forecast**

<b>Assumption</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>	<b>2045</b>	<b>2050</b>
Regional Demand without Additional Conservation (mgd)	192	205	214	222	229	238
Passive and Active Conservation (mgd)	(1)	(7)	(10)	(12)	(14)	(16)
<b>Total Regional Demand</b>	<b>191</b>	<b>198</b>	<b>204</b>	<b>210</b>	<b>215</b>	<b>222</b>

The Demand Study also evaluated each member agency's baseline projected water use against the State's Urban Water Use Objective (UWUO) regulatory standards and analyzed potential alternative future scenarios, incorporating input from the member agencies, external stakeholders, and SFPUC.

A key finding of the 2025 Demand Study is that regional water demand is projected to remain relatively flat or grow only slightly through the forecast period (2025-2050). Population and economic growth are significant drivers of water demand. However, this growth is tempered by compounding passive conservation savings (code-driven, naturally occurring replacement of less efficient fixtures and appliances).

It is important to note that the demand projections presented in this memorandum and the 2025 Demand Study Final Report were developed using a specific set of assumptions agreed upon by the member agencies for the purpose of this regional analysis. These figures are not the official, final planning forecasts for any individual member agency. Final demand projections used for an agency's own purposes, including regulatory compliance (e.g., UWMPs), reside with that agency and may require formal adoption by their respective Council or Board. For official figures, please consult the corresponding agency's adopted planning documents.

**Recommendation:**

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

**Discussion:**

**Demand Study Approach**

The Demand Study employed a hybrid water demand modeling framework that integrates econometric regression techniques with end-use conservation accounting. This approach allows for a clear separation between the structural factors influencing water demand – such as demographic changes, climate variability, and economic trends – and the impacts resulting from policy decisions and conservation programs. Development of these econometric and end-use accounting models is a highly data intensive process that requires an extensive historical dataset consisting of water consumption, demographic data, and explanatory variables used to explain variability in water use. BAWSCA and the technical consultant, Hazen and Sawyer (Hazen), worked closely with the member agencies to collect, process, and verify all input data.

Separate to econometric modeling, the Demand Study explicitly quantified both passive conservation impacts, driven by codes and regulations (e.g., maximum flow rates for plumbing fixtures), and future active conservation impacts, resulting from programmatic initiatives and behavioral changes (e.g., turf removal incentive programs).

The Demand Study also evaluated each member agency's baseline projected water use, including passive and active conservation, against the State's UWUO regulatory standards through 2050.

Finally, the Demand Study concluded with scenario analyses to address uncertainties inherent in long-term planning. The scenarios examined demographic shifts different from those presented in the baseline, unforeseen economic fluctuations, climate variability, and the prevalence of demand sectors with highly uncertain growth and water use rates (e.g., data centers). These scenario analyses provide valuable insights into the range of possible future outcomes and support informed decision-making for regional water supply planning. Five scenarios in addition to the baseline were considered, establishing both "high" and "low" bookends of projected water demand based on differences in underlying model assumptions.

**Water Conservation Analysis**

The conservation analysis utilized the AWE Tracking Tool, a Microsoft Excel-based platform designed to help utilities assess technological efficiency, estimate water savings, and evaluate the cost-effectiveness of conservation measures. The tool estimates savings from both passive (e.g., code driven, natural replacements) and active conservation measures (e.g., utility-sponsored interventions).

BAWSCA and Hazen worked with each of the member agencies to select an active conservation program portfolio that ensured the selected measures are technically applicable, cost-effective, and aligned with agency's needs.

Key findings of the conservation analysis include:

- **Passive conservation** will continue to deliver steady, compounding savings, especially in the residential sector.
- **High-impact indoor measures**, including spray valves, aerators, showerheads, and UHET toilets, remain essential contributors.

- **Active programs** generate additional long-term savings, particularly through irrigation measures, but they require sustained investment and adaptive management to remain effective.
- **Cost-effectiveness** varies widely across programs, with some measures delivering much greater savings per dollar.
- **Education and outreach** support awareness, enhance participation, and strengthen long-term efficiency behavior.

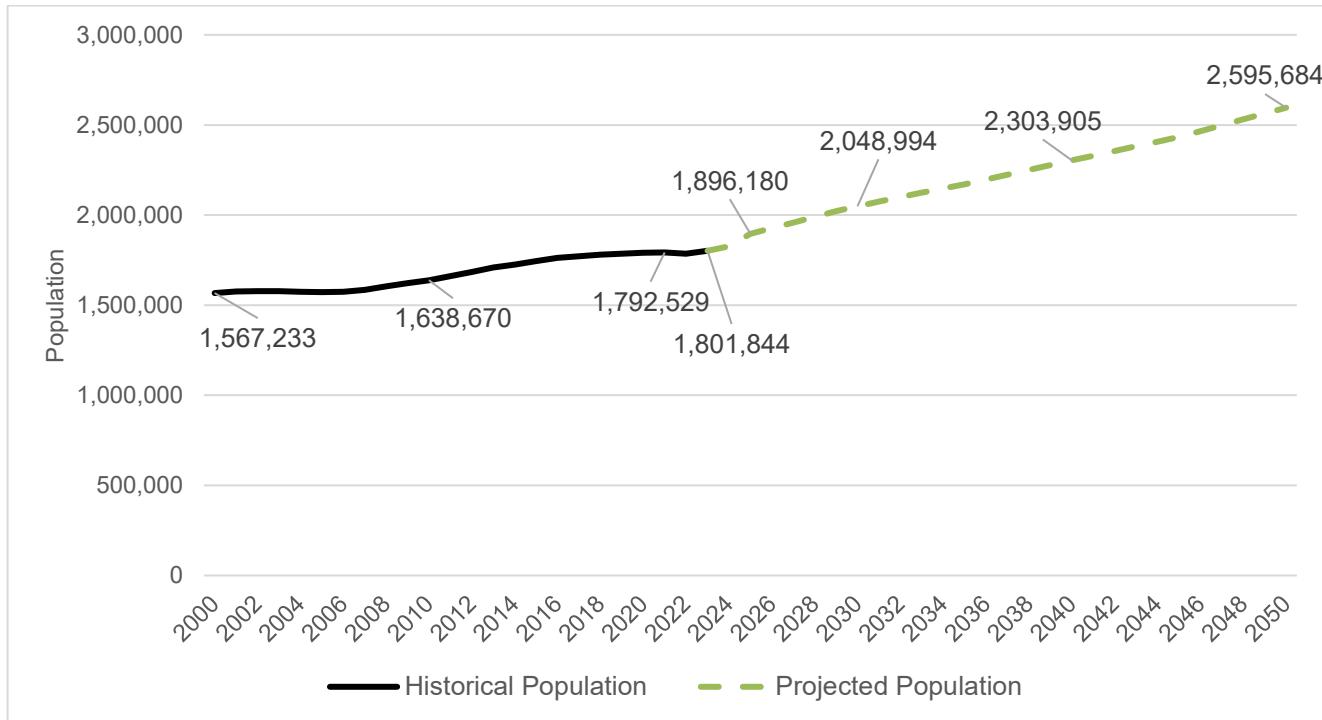
### **Baseline Water Demand Assumptions and Inputs**

The baseline scenario serves as the foundation for BAWSCA's regional water demand projections, providing a consistent set of assumptions for demographic growth, climate, economic conditions, and efficiency trends across all member agencies. BAWSCA and Hazen worked closely with member agency representatives to adjust published regional assumptions for the baseline scenario, that are agency-approved forecasts for housing units, population, and jobs to 2050. Other assumptions and inputs were agreed upon through a collaborative process with the member agencies over the last year.

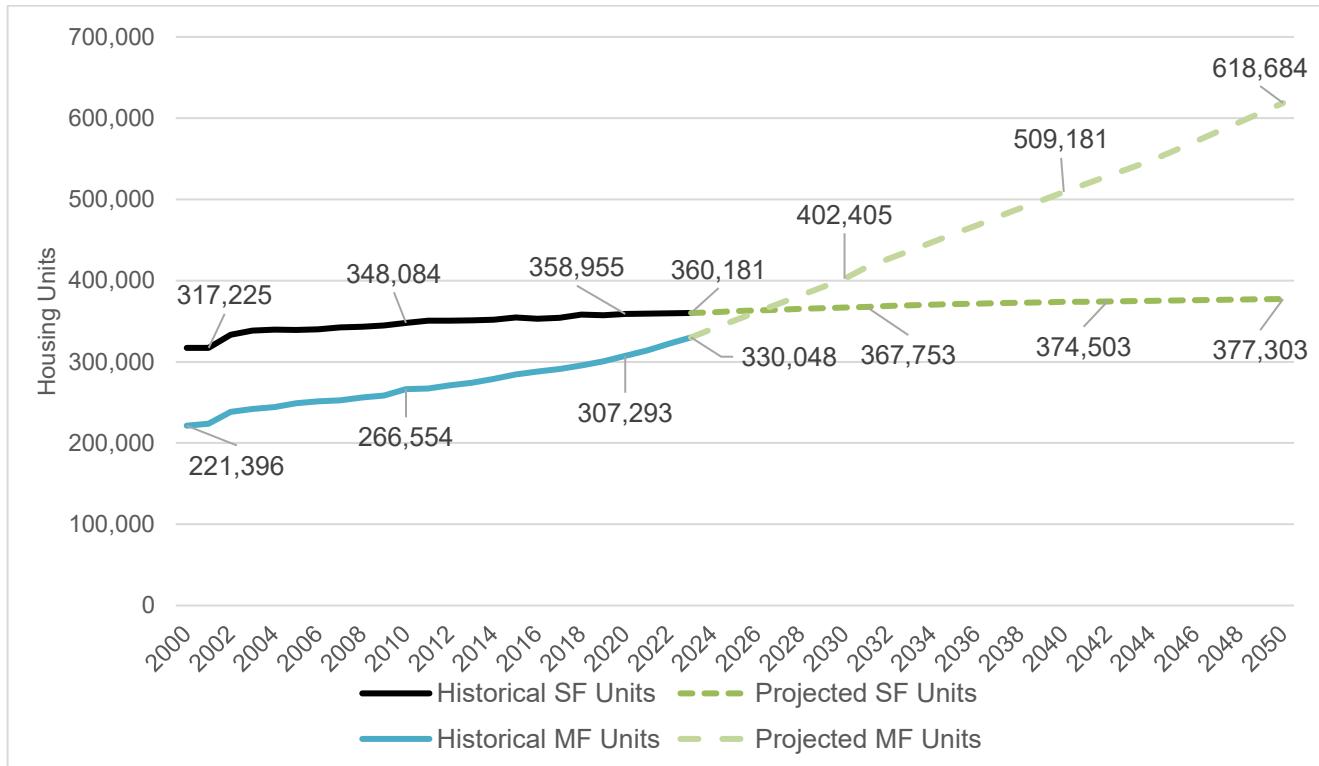
Key assumptions in the baseline scenario include:

- **Demographics (population, housing units, and jobs):** Based on growth rates from Plan Bay Area 2050, reviewed and adjusted by member agencies' planning departments and cities.
- **Housing type and density:** Majority of growth is expected in the multifamily housing sector. Housing density is expected to increase as the area of land designated for housing is expected to remain constant.
- **Climate:** Future temperatures were adjusted using annual average projections from CalAdapt CMIP5 RCP 8.5 modeling, while precipitation was held at historical averages.
- **Economy:** Mix of industries, regional rates of change in GDP, and unemployment rates were assumed to remain constant at recent historical levels.
- **Conservation:** Passive conservation (fixture and appliance turnover, new construction standards) was assumed to continue steadily into the future, while active conservation programs were assumed to be implemented based on plans discussed and reviewed by member agencies.
- **Pricing:** Water rates are assumed to keep pace with inflation, resulting in no real change in price over the planning horizon, except for agencies that provided approved future rate increases.

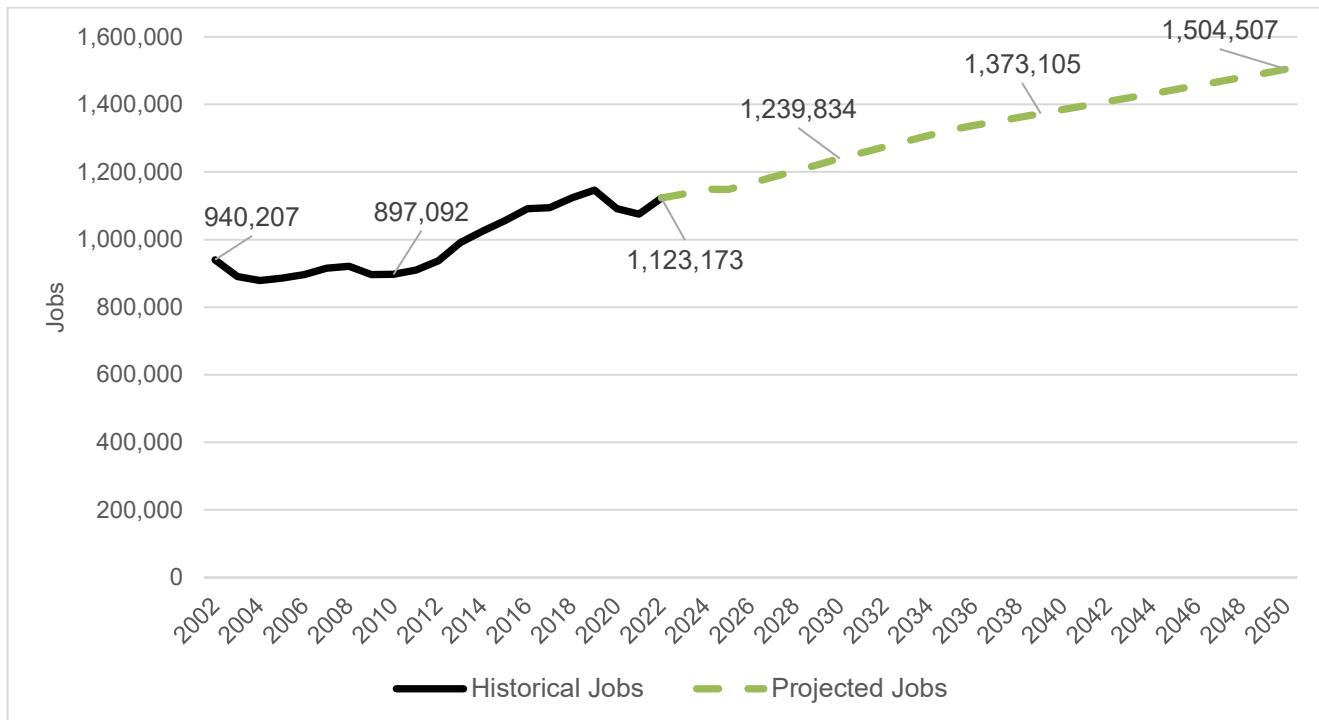
Future population, housing units, and jobs were based on Plan Bay Area 2050 growth rates, with adjustments from member agency planning departments to reflect local realities. As an additional validation step, the resulting demographic projections were compared to member agency Regional Housing Needs Assessment (RHNA) targets and were reviewed by member agency representatives. Figures 1 to 3 provide regional historical and projected population, housing units, and jobs for the BAWSCA member agencies.



**Figure 1: Historical and Projected Population**



**Figure 2: Historical and Projected Single Family (SF) and Multifamily (MF) Housing Units**



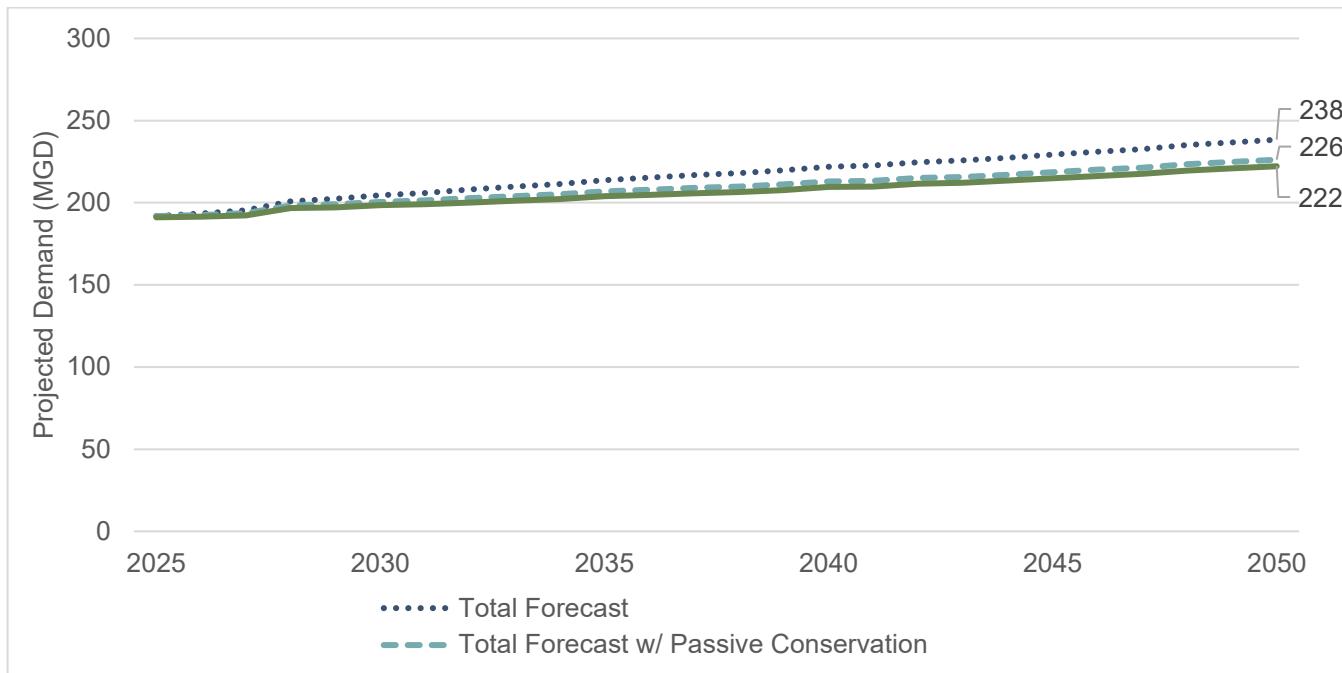
**Figure 3: Historical and Projected Jobs**

Key findings of the demographic projections and analysis:

- **Population:** Population is expected to increase 37% by 2050. Greater population correlates with higher water demand.
- **Housing:** Housing is expected to increase 40% by 2050 with the majority of the growth in the multifamily sector. Residences with smaller lot sizes tend to use less water for outdoor uses.
- **Jobs:** 34% more jobs are expected to be created by 2050. A stronger economy is correlated with higher water demand.

### Baseline Water Demand Projections

Under these conditions, regional water demand is projected to increase gradually over the planning period, moderated by ongoing conservation efforts and efficiency improvements. Figure 4 provides the baseline forecast for BAWSCA member agencies with passive and active conservation.



**Figure 4: Baseline Forecast Including Passive and Active Conservation**

### **Urban Water Use Objectives**

The California Legislature passed SB 606 and AB 1668 in 2018, establishing long-term water use efficiency framework that required the State Water Resources Control Board (SWRCB) to adopt new regulations for indoor and outdoor water use for urban retail water suppliers (URWSs) across the state.<sup>1</sup> In 2024, the SWRCB adopted regulations mandating the development of urban water use objectives (UWUO) that regulate residential indoor and outdoor use, commercial, industrial and institution (CII) irrigation, and real water losses together as an aggregate water use efficiency standard.

The UWUO consists of an Indoor Residential Water Use Budget, an Outdoor Residential Water Use Budget, a CII Landscape with dedicated irrigation meters (DIMs) Water Use Budget, and a Real Water Loss Budget. Although the UWUO is composed of four separate water use budgets, compliance with the UWUO only requires that total UWUO is not exceeded by the sum of the UWUO-regulated sectors of water use in aggregate. In other words, individual UWUO water use budgets can be exceeded as long as the overall UWUO is not.

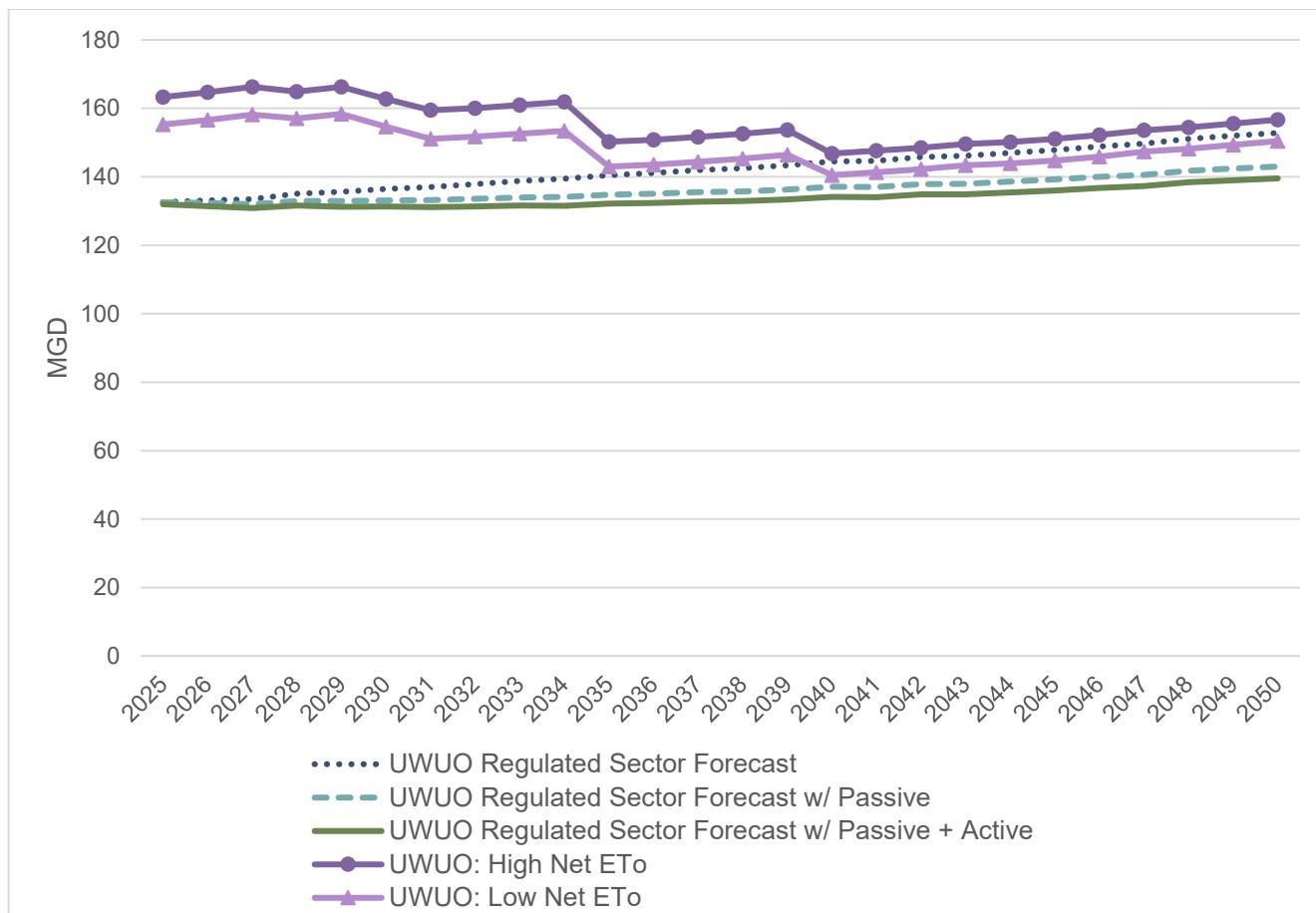
Within the UWUO calculation methodology developed by the state, budgets for indoor residential water use, outdoor residential water use, and CII with DIMs water use are all required to become more stringent over time. Additionally, locally specific conditions, including weather and climate, are factored into the outdoor budget equations to account for higher water use in areas with hotter and drier conditions.

To help agencies understand potential future compliance with the new regulations, the Demand Study compared projected baseline demand with an estimate of each agency's UWUO over the planning period. A primary goal of the analysis was to assess if BAWSCA agencies are anticipated to exceed their UWUOs over the course of 2025 – 2050, given the baseline forecast, and if so, by how much and when.

<sup>1</sup> As defined in the California Water Code section 10608.12, an urban retail water supplier (URWS) is “a water supplier, either publicly or privately owned, that directly provides potable municipal water to more than 3,000 end users or that supplies more than 3,000 acre-feet of potable water annually at retail for municipal purposes.”

Given uncertainty in future climatological conditions, the analysis used an “envelope” approach that calculated an “upper bound” and “lower bound” UWUO projection into the future for each agency. All assumptions made to estimate each agency’s UWUO (e.g., future landscape area) will be provided in the final report.

Figure 7 provides the aggregate UWUO projection (high and low estimates) compared to baseline demand from regulated sectors<sup>2</sup> with and without conservation.



**Figure 5: Annual Forecast and UWUO<sup>3</sup> <sup>4</sup>**

Key findings of the UWUO analysis:

- The region is generally well-positioned to meet regulatory efficiency requirements.
- Passive and active conservation savings will be an important tool for agencies to maintain compliance with regulations.
- Only 4 out of 23 agencies are projected to exceed their UWUO at any point between 2025 and 2050.
- A small number of agencies may need to consider additional measures or targeted strategies in future years

<sup>2</sup> Regulated sectors include indoor and outdoor residential water use, outdoor water use associated with CII DIMs, and water loss.

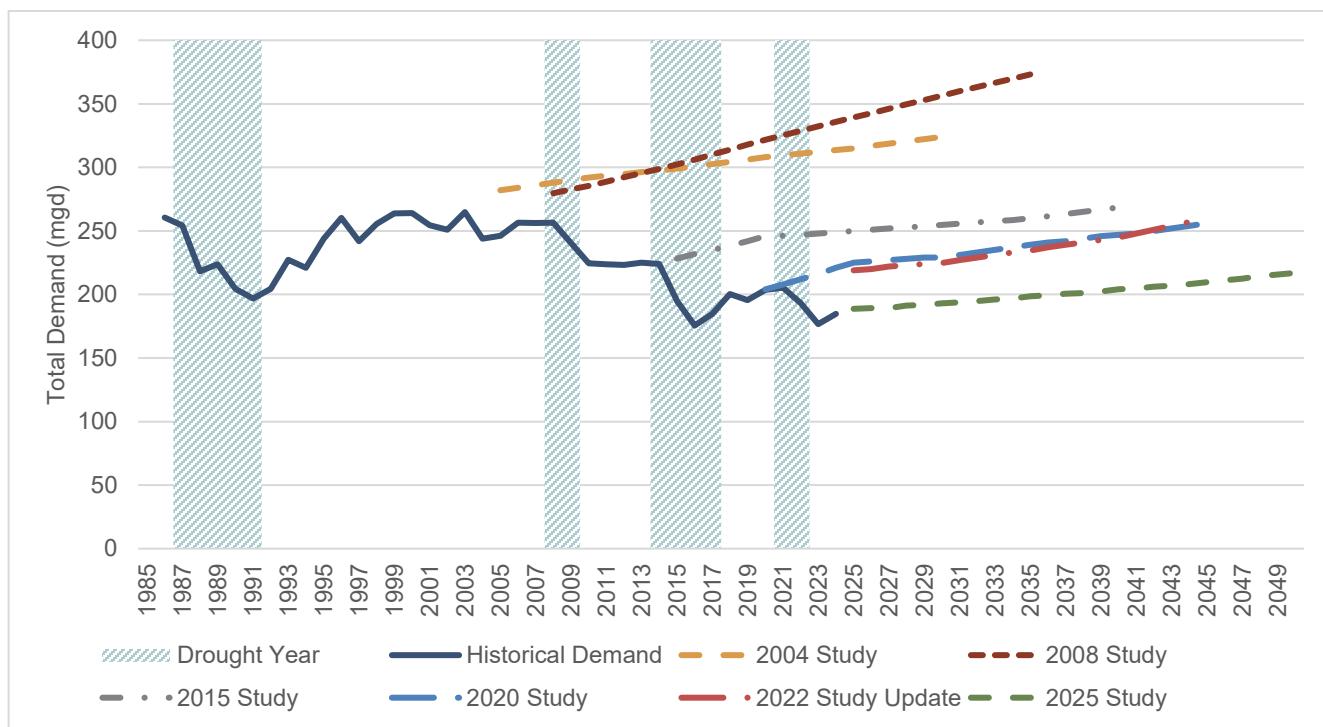
<sup>3</sup> Excludes The City of San Jose because its UWUO encompasses geographies that are outside of BAWSCA’s service area.

<sup>4</sup> The City of Brisbane, Purissima Hills WD, and Stanford University are not URWSs and do not have UWUO estimates as part of this study.

## Comparison to Past Demand Projections

There is inherent uncertainty in water demand projections. Demand projections are built upon a specific set of assumptions that define the expected future values for key drivers (such as population, housing units, and jobs), explanatory variables (including weather, price, and demographics), and the anticipated yield of conservation savings throughout the planning horizon. It is important to note that water agencies do not have control over the external factors that ultimately determine whether the current forecast correctly anticipates future conditions. Additionally, the demand projections do not predict the timing of acute events that can significantly impact water demand, such as drought, economic downturns, or global pandemics.

For the reasons listed above, demand projections are forward-looking estimates, showing what could happen if current explanatory trends continue as expected. Thus, comparing past forecasts to actual water use and current demand projections can be informative, as it allows water managers to understand how intervening factors (e.g., water use restrictions or long-term shifts like work-from-home policies) have altered demand trends for future planning. Figure 5 provides historical water use with results from demand studies conducted since 2004. Shaded bars indicate drought years.



**Figure 6: Regional Historical and Projected Demand**

Key takeaways from reviewing past projections, actual water use, and current projections.

- Drought restrictions exert a significant downward influence on water demand. While demand tends to increase year to year between droughts, recently it has not tended to rebound to pre-drought levels before the next drought occurs.
- The rate of growth in demand projections has become flatter over time. As passive savings compound and active conservation measures become permanent, per capita water use is expected to continue to decline, offsetting future demographic growth.
- Actual water use in fiscal year 2024-25 was approximately 15% lower than projected in the 2022 Demand Study update. The analysis for the 2022 Demand Study concluded before the 2021-2023 drought during which the Governor called for 15% water use reduction across the state.

- The 2025 Demand Study projects total demand in 2050 will be 220 mgd, approximately 14% lower than projected for 2045 in the 2022 Demand Study. The 2025 Demand Study uses water consumption data and trends from 2021–2023, reflecting a decline from 2020 due to drought restriction impacts and ongoing efficiency improvements. As a result, its initial projections start at a lower volume than those in the 2022 Demand Study, with efficiency gains continuing to temper demographic growth throughout the planning period.

### Alternative Scenario Analysis

Given uncertainties in water demand forecasting, BAWSCA incorporated scenario analysis in the Demand Study to provide a practical framework to explore a range of plausible futures, enabling water suppliers to test assumptions and assess the resilience of strategies under varying conditions.

BAWSCA and Hazen worked with member agency representatives, external stakeholders, and the SFPUC to develop five additional water demand scenarios to bracket the baseline forecast. With their engagement, assumptions for potential future scenarios for the Bay Area were collaboratively developed and systematically categorized into four general groups that align with water demand model inputs: (1) Demographics and development; (2) Socioeconomic conditions; (3) Conservation and pricing; and (4) Climate and other trends/concerns.

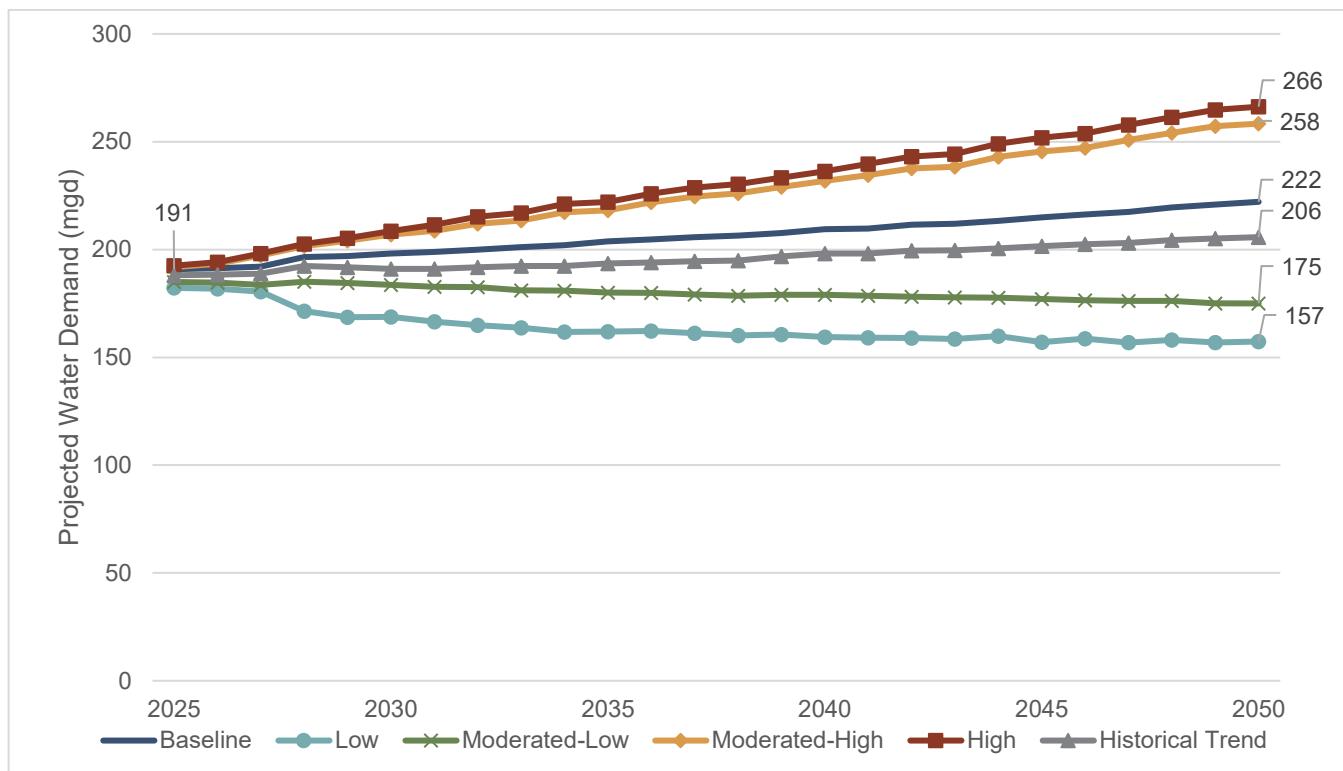
Using this organizational approach, plausible regional scenarios were developed to set reasonable high and low bounds on future water demand predictions. Table 2 below provides a high-level summary of the preferred alternative data sources and assumptions for higher and lower demand scenarios.

**Table 2: Summary of Alternative Data Sources and Assumptions for High and Low Demand Scenarios**

Group	High Demand Scenario	Low Demand Scenario
Demographics and development	Plan Bay Area 2050 projections without reductions based on agency input. Keep housing density remains constant at 2025 levels rather than increase density as assumed in baseline projections.	California Department of Finance (CA DOF) projections.
Socioeconomic conditions	Greater economic growth, anticipating a potential increase in demands associated with the technology industry in the region.	Lower economic growth. Potential negative impacts of federal tariff and immigration policies, and how they may influence the job market/economic output in the region.
Conservation and pricing	Decrease in active conservation savings. Hold pricing constant in real terms.	Higher rate increases. Impacts of non-functional turf bans.
Climate and other trends/concerns	Hotter and dryer global climate models (GCMs). Increase in high water use industries, particularly data centers and biotech applying water for cooling.	GCMs projecting less warming and wetter conditions, or climate models that consider a shift in weather patterns throughout the year.

Using the preferences for high and low bookends listed in Table 2, BAWSCA and Hazen developed two additional moderated scenarios (moderated-low and moderated-high). The SFPUC is also incorporating scenario analysis into their demand projections project. One of the SFPUC's scenarios applies historical trends to demographic and socioeconomic inputs (Historical Trend Scenario). The purpose is to understand what a future scenario in which current trends continue.

The five alternative scenarios developed for the Demand Study include a (1) High, (2) Moderated-High, (3) Moderated-Low, (4) Low, and (5) Historical Trend Scenarios. Figure 6 provides projections for each alternative scenario and the baseline.



**Figure 7: Comparison of Water Demand Scenarios**

Key findings from the alternative scenario analysis:

- By the early 2030s, the alternative demand projections begin to separate significantly, with continued widening toward 2050.
- High and Moderated-High Scenarios show the steepest growth, driven by high demographic projections, hotter/drier climate assumptions, and stable real water rates.
- The inclusion of potential data center loads in the High Scenario amplifies this effect.
- Low and Moderated-Low Scenarios exhibit substantial reductions in demand, reflecting CA DOF demographics, cooler/wetter climate conditions, and more aggressive real price increases combined with nonfunctional turf restrictions.
- Baseline and Historical Trend Scenarios remain near the center of the range, with the Historical Trend Scenario tracking slightly below Baseline due to moderated growth and rate adjustments.

A more detailed description and list of data sources and assumptions for the alternative scenarios will be provided in the final report.

## **Summary and Next Steps**

The baseline water demand and conservation projections presented in this report provide a robust foundation for long-term planning across BAWSCA member agencies. Developed through a rigorous process of data collection, econometric modeling, and conservation analysis, these projections are designed to support the 2025 UWMP cycle and inform long-term planning for the region's water future.

While building future demand projection scenarios that incorporate pre-drought and pre-recession rebounds and active and passive conservation is critical for planning studies such as this one, these scenarios alone often do not provide a realistic range of potential future demands.

BAWSCA is continuing to work with Hazen on a “drought task” to develop a supplemental methodology that simulates the impacts of projected future droughts considering the potential for future demand hardening. This approach is based on the realistic assumption that the region has a statistical likelihood of future drought and corresponding requests for demand reduction in the period between the present and 2050, which could result in lingering or even permanent reductions in demand in subsequent years.

The outcome of the drought task will be a proof-of-concept methodology for simulating the impacts of projected future droughts. This methodology, when combined with the study's alternative forecast scenarios, will serve as a powerful planning tool for BAWSCA and its member agencies, enabling them to monitor demographic and development trends and maintain the flexibility needed to accommodate a range of plausible future water demands.

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:** Mid-Year 2025-26 Work Plan, Budget and General Reserve Review

**Summary:**

A review of the FY 2025-26 Work Plan has been performed, with the results presented in the attached Table 1. There are no efforts included in the adopted FY 2025-26 Work Plan that require adjustment. Further, the level of effort associated with important Work Plan areas remained as anticipated for the first six months this fiscal year. This memorandum also includes a discussion on the management of the General Reserve.

**Fiscal Impact:**

No changes to the Operating Budget are necessary or recommended at this time.

**Recommendation:**

**The information is for reporting purposes only. There is no action required at this time.**

**Prior Board Approved Work Plan and Budget Actions for FY 2020-21:**

On May 15, 2025, the Board approved the following:

1. Proposed FY 2025-26 Work Plan and Results to be Achieved;
2. Proposed Operating Budget of \$5,547,732; and
3. Proposed funding plan of a 2.3% assessment increase and a transfer of \$152,023 from the General Reserve.

**Discussion:**

The mid-year review included (1) examining progress toward completing the Work Plan as adopted, (2) considering anticipated work that should be performed during the balance of this fiscal year, and (3) reviewing any new Work Plan items.

Implementation of the Work Plan is on schedule as of the January 9<sup>th</sup>. No changes to the Work Plan are proposed. A review of the budget confirms that the FY 2025-26 Work Plan can be completed within the approved budget.

The second half of the fiscal year has some budgetary uncertainty as related to the level of effort associated with possible legal expenses. Specifically, it is likely that work will occur in this fiscal year related to the State Board Cases appeal briefing. However, legal spending is below budget to date and it is BAWSCA staff's opinion that legal expenses will remain within the annual budget allocated for these services. While no budget modification is recommended at this time; the CEO/General Manager and Legal Counsel will continue to actively manage and monitor developments and report to the Board as necessary.

**Review and Management of General Reserve:**

BAWSCA's General Reserve Policy states the CEO/General Manager shall evaluate the General Reserve balance as part of each year's mid-year budget review. Based on the review, if the General Reserve balance is estimated to fall outside the guidelines established by the policy, the budget shall include a prudent and practical schedule for restoring the reserve balance to be within those guidelines. The attached Table 2 presents the history of BAWSCA's assessments, operating budget, and General Reserve balance.

The current General Reserve balance of \$1,705,262 reflects the approved withdrawal and transfer of \$152,023 to BAWSCA's Operating Fund to cover the FY 2025-26 approved budget and the deposit of \$500,997 from FY 2024-25 unspent funds. The current General Reserve balance represents 31% of the approved Operating Budget, which is within the Board approved guidelines of 20% to 35% of the annual operating expense for the General Reserve balance.

**Attachment:**

1. Table 1. Work Plan and Results to be Achieved in FY 2025-26: Progress through Mid-Year 2025-26
2. Table 2. Historical Annual Assessments and Year-End Reserves

**Table 1. Adopted FY 2025-26 Work Plan and Results to Be Achieved: Progress and Recommended Changes**

(Mid-Year Status Shown in 1 <sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)			
<b>BAWSCA OBJECTIVE &amp; FY 2025-26 WORK PLAN</b>			
<b>RELIABLE WATER SUPPLY</b>			
<b>1. Facility Reliability: Monitor SFPUC's WSIP, 10-Year Capital Plan, Asset Mgmt. Program, and Emergency Response</b>			
✓	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.	<ul style="list-style-type: none"><li>Reviewed SFPUC's annual WSIP report. Provided written comments to both the SFPUC and the State oversight agencies. Attended a WSIP update meeting with SFPUC staff on October 20, 2025.</li><li>Reviewed SFPUC's WSIP Notice of Change (NOC). Provided written comments to both the SFPUC and the State oversight agencies. Attended a meeting with SFPUC staff on October 20, 2025 where the NOC was discussed.</li></ul>	
✓	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, taking into consideration water supply affordability concerns.	<ul style="list-style-type: none"><li>Monitored SFPUC's 10-year CIP via review of the SFPUC's quarterly progress reports for both the Hetch Hetchy Division and the Water Supply and Treatment Division. Met with SFPUC staff to review BAWSCA comments on October 10<sup>th</sup> for the Hetch Hetchy Division and on October 7<sup>th</sup> for the Water Supply and Treatment Division.</li><li>Met with the SFPUC to discuss the early stage of their development of an updated 10-year CIP (FY 26 – FY 35) on October 29<sup>th</sup></li><li>Attended a tour of CIP projects under construction in Alameda County on September 11, 2025.</li></ul>	
✓	c. Review & monitor SFPUC's Asset Management Program to ensure ongoing long-term maintenance and protection of RWS assets.	<ul style="list-style-type: none"><li>Ongoing.</li></ul>	

(Mid-Year Status Shown in 1<sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

BAWSCA OBJECTIVE & FY 2025-26 WORK PLAN		
✓	d. Provide assistance to members and help facilitate engagement with the SFPUC regarding emergency response matters.	<ul style="list-style-type: none"> <li>Facilitated and attended an Emergency Response exercise hosted by the SFPUC and attended by member agency staff and key personnel on October 16, 2025. The exercise simulated agency response following a large earthquake.</li> </ul>
✓	e. Engage with and track the SFPUC Capital Planning Improvements Initiative.	<ul style="list-style-type: none"> <li>On-going – the SFPUC CPII has been integrated into the SFPUC's 10-Yr CIP development efforts</li> </ul>
✓	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)	<ul style="list-style-type: none"> <li>SFPUC is expected to begin engagement efforts with BAWSCA in March of 2026 – Document is anticipated to be finalized in FY 2026-27.</li> </ul>
<p><b>2. <u>Long-Term Supply Solutions: Implement BAWSCA's Strategy to Ensure a Reliable, High-Quality Supply of Water is Available Where and When needed</u></b></p>		
✓	a. Continue the development of BAWSCA's Long-Term Reliable Water Supply Strategy 2050 (Strategy 2050), which includes an assessment of water supply affordability and the role that BAWSCA should play to help agencies achieve affordability goals.	<ul style="list-style-type: none"> <li>On-going. Work began in FY 2024-25 and will be completed by December 2026. Work in the first half of FY 2025-26 included multiple meetings with the WMRs, presentations and discussions at BAWSCA Board and BPC meetings, and staff reports to the Board and BPC as part of meeting packets. A Stakeholder group was formed in FY 2024-25. One meeting was held with the Stakeholders in FY 2024-25 and additional meetings will take place in calendar year 2026. An affordability analysis was presented to the BPC on October 8, 2025 and to the full Board on November 20, 2025.</li> </ul>
✓	b. Continue the development of updated regional water demand projections “BAWSCA 2025 Regional Water Demand and Conservation Projections Project”.	<ul style="list-style-type: none"> <li>Near Completion. Results of the 2025 Demand Study will be presented to the BPC on December 10, 2025 and the full Board on January 15, 2026.</li> </ul>
✓	c. Participate in the Bay Area Regional Reliability (BARR) Partnership.	<ul style="list-style-type: none"> <li>On-going – monthly meetings have been held with BARR partner agencies. The BARR website has been continually updated.</li> </ul>
✓	d. Participate in the continued planning of the PureWater Peninsula potable reuse project.	<ul style="list-style-type: none"> <li>On-going – aside from regular virtual meetings, plans are in place at SVCW to site a demonstration project where treatment</li> </ul>

(Mid-Year Status Shown in 1 <sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
BAWSCA OBJECTIVE & FY 2025-26 WORK PLAN		
		technologies will be tested. Work is also underway to coordinate elected official outreach anticipated to be initiated in calendar year 2026. Presented with SFPUC and SVCW Management at their December 11 Board Meeting.
✓	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.	<ul style="list-style-type: none"><li>On going. BAWSCA has been utilizing the Grant Tracking Tool as developed in FY 2024-25 to identify new grant opportunities. However, in FY 2025-26, no substantial new opportunities have developed. Identification of local water supply options is being performed as part of BAWSCA's Strategy 2050 efforts.</li></ul>
✓	f. Use BAWSCA Reliability Model to evaluate Bay Delta Plan Healthy Rivers and Landscape (HRL) 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.	<ul style="list-style-type: none"><li>On-going. BAWSCA and its modeling consultant have been working with the SFPUC to obtain information such that the Tuolumne HRL can be coded into the Reliability Model. That work is anticipated to continue into 2026.</li></ul>
✓	g. Facilitate use of the BAWSCA Model by members via Subscription Program.	<ul style="list-style-type: none"><li>The subscription program has been renewed for FY 2025-26. Select agencies typically take advantage of the program in the Spring of each fiscal year for use in the water supply reporting requirements due to the State on June 30<sup>th</sup> of each year.</li></ul>
✓	h. Conduct initial scoping evaluation of the Regional Financing Authority's (RFA's) available financing options	<ul style="list-style-type: none"><li>As part of Strategy 2050, discussions have started with the SFPUC on a possible Financing program. Strategy 2050's consultant reviewed existing financing programs offered by other wholesale water and wastewater providers in California and shared that information with BAWSCA and SFPUC staff. This work will continue through calendar year 2026 and will be integrated into Strategy 2050.</li></ul>

(Mid-Year Status Shown in 1<sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

## BAWSCA OBJECTIVE & FY 2025-26 WORK PLAN

### 3. Near-term Supply Solutions: Demand Management, Water Conservation and Drought Response

<input checked="" type="checkbox"/>	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.	<ul style="list-style-type: none"><li>• BAWSCA in partnership with Valley Water have initiated a series of 12 workshops with member agencies to discuss the State's new Water Use Efficiency requirements. In addition to these workshops, bi-weekly "office hours" are scheduled to address agency questions that may come up outside of the workshop setting.</li><li>• BAWSCA funded a program led by CalWEP to develop a toolkit for Non-Functional Turf (NFT). The NFT Toolkit was finalized in October 2025 and has been made available for use by all BAWSCA member agencies.</li></ul>
<input checked="" type="checkbox"/>	b. Provide regional coordination to support members' AMI implementation and data management and utilization.	<ul style="list-style-type: none"><li>• BAWSCA continues to track AMI implementation by its member agencies on a regular basis. No significant implementation updates were identified in this first half of FY 2025-26.</li></ul>
<input checked="" type="checkbox"/>	c. Implement BAWSCA's core water conservation programs.	<ul style="list-style-type: none"><li>• On-going.</li></ul>
<input checked="" type="checkbox"/>	d. Implement BAWSCA's subscription conservation rebate programs that benefit and are paid for by participating members.	<ul style="list-style-type: none"><li>• On-going.</li></ul>
<input checked="" type="checkbox"/>	e. Engage with CalWEP & others to promote 3 <sup>rd</sup> party development & administration of a leak repair & training certification program.	<ul style="list-style-type: none"><li>• CalWEP has continued to develop its leak repair &amp; training program. Classes are anticipated to begin in earnest in 2026, and a certification program is nearing completion by CalWEP.</li></ul>
<input checked="" type="checkbox"/>	f. Participate in San Mateo County's C/CAG OneWatershed pilot project.	<ul style="list-style-type: none"><li>• C/CAG OneWatershed pilot project is scheduled for completion in early 2026. BAWSCA has reviewed and commented on draft documents prepared as part of the project. The pilot focuses on disadvantaged neighborhoods in San Bruno. BAWSCA participated in evening events with area residents on October 22, 2025 and November 3, 2025, where BAWSCA staffed a water conservation table.</li></ul>

<p>(Mid-Year Status Shown in 1<sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)</p>		
<p><b>BAWSCA OBJECTIVE &amp; FY 2025-26 WORK PLAN</b></p>		
✓	<p>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.</p>	<ul style="list-style-type: none"> <li>On-going. BAWSCA uses its membership in ACWA as well as with organizations such as CalWEP to meet regional participation goals.</li> </ul>
<p><b>4. <u>Take Actions to Protect Members' Water Supply and Financial Interests in WSA Administration</u></b></p>		
✓	<p>a. Monitor SFPUC's implementation of its Alternative Water Supply (AWS) Program, including associated recommended actions, taking into consideration water supply affordability, and participate as appropriate to ensure that the SFPUC can meet its water supply reliability obligations at a fair price to its Wholesale Customers.</p>	<ul style="list-style-type: none"> <li>BAWSCA has an active role in the SFPUC's development of several alternative water supply projects included in its AWS Program, such as potable reuse opportunities (e.g., the PureWater Peninsula Project)</li> </ul>
✓	<p>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.</p>	<ul style="list-style-type: none"> <li>On-going.</li> </ul>
★	<p>c. Implement the updated Tier 2 Plan (assumes adoption of the updated Tier 2 Plan in FY 2025-26).</p>	<ul style="list-style-type: none"> <li>As of December 2, 2025, all BAWSCA Member Agencies have adopted the updated Tier 2 Plan. The Tier 2 Plan is ready for implementation during times of a water supply shortage emergency.</li> </ul>
✓	<p>d. Protect members' water supply and financial interests in the SFPUC's required 2028 decisions.</p>	<ul style="list-style-type: none"> <li>On-going. BAWSCA continues to organize and attend regular meetings with representatives from the City of San Jose, the City of Santa Clara, and the SFPUC. Discussions focus on the development of alternative water supplies that, when and if implemented, would allow the SFPUC to consider making both San Jose and Santa Clara permanent customers</li> </ul>
✓	<p>e. Ensure correct implementation of asset classification adjustments associated with 2018 WSA amendment.</p>	<ul style="list-style-type: none"> <li>On-going.</li> </ul>
✓	<p>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.</p>	<ul style="list-style-type: none"> <li>On-going. No paired transfers have taken place in FY 2025-26 to date.</li> </ul>

(Mid-Year Status Shown in 1 <sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
<b>BAWSCA OBJECTIVE &amp; FY 2025-26 WORK PLAN</b>		
★	g. 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.	<ul style="list-style-type: none"><li>Paired with the adoption of the updated Tier 2 Plan, the SFPUC and all member agencies have adopted the WSA Amendment as of December 2, 2025.</li></ul>
<b>5. Protect Members' Interests in a Reliable Water Supply</b>		
✓	a. Participate in SWRCB Bay Delta Plan Update to ensure members' interests are represented, including ongoing legal intervention.	<ul style="list-style-type: none"><li>On-going. Reviewed the State Water Boards Draft Scientific Basis Report (SBR). Attended and provided public comments on the Draft SBR at a State Water Board workshop held on November 5, 2025. Provided written comments to the Draft SBR on November 7, 2025.</li></ul>
✓	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.	<ul style="list-style-type: none"><li>On-going.</li></ul>
<b>6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</b>		
✓	a. Pursue and use grant funds for water conservation programs and for regional supply projects and programs.	<ul style="list-style-type: none"><li>On-going. No new grant funding opportunities have emerged in the first half of FY 2025-26.</li></ul>
✓	b. Pursue, with regional partners, grant funding to support studies that aim to improve regional water supply reliability.	<ul style="list-style-type: none"><li>On-going. No new grant funding opportunities have emerged in the first half of FY 2025-26.</li></ul>
✓	c. Support the use of BAWSCA's grant tracking tool for use by BAWSCA members.	<ul style="list-style-type: none"><li>On-going. The grant tracking tool continues to operate and be available for use by BAWSCA and its member agencies.</li></ul>
✓	d. Seek avenues for grant funding to support the implementation of BAWSCA's Strategy.	<ul style="list-style-type: none"><li>On-going. No grant funding opportunities have emerged in the first half of FY 2025-26.</li></ul>

(Mid-Year Status Shown in 1 <sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)		
<b>BAWSCA OBJECTIVE &amp; FY 2025-26 WORK PLAN</b>		
<b>7. <u>Reporting and Tracking of Water Supply and Conservation Activities</u></b>		
✓	a. Complete BAWSCA FY 2024-25 Annual Survey.	<ul style="list-style-type: none"><li>Work has begun to collect agency-specific data as needed to craft the FY 2024-25 Annual Survey, with an anticipated publication date of March 2026.</li></ul>
✓	b. Complete BAWSCA FY 2024-25 Annual Water Conservation Report.	<ul style="list-style-type: none"><li>Work will begin on the development of the FY 2024-25 Annual Water Conservation Report, with an anticipated publication date of June 2026.</li></ul>
✓	c. In partnership with members, operate, maintain and enhance BAWSCA's updated WCDB.	<ul style="list-style-type: none"><li>The updated WCDB is operating and in use as part of the data collection for the FY 2024-25 Annual Survey. To date, the updated WCDB is operating smoothly and has proven to be a significant upgrade compared to the prior version.</li></ul>
<b>HIGH QUALITY WATER</b>		
<b>8. <u>Support Members in Receiving Reliable Communication of Water Quality Issues</u></b>		
✓	a. Coordinate members' participation in Joint Water Quality Committee to ensure it addresses Wholesale Customer needs.	<ul style="list-style-type: none"><li>Ongoing</li><li>Coordinated and attended the SFPUC-BAWSCA Member Agency Joint Water Quality Committee meeting of November 20, 2025.</li></ul>
✓	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).	<ul style="list-style-type: none"><li>On-going. No water quality concerns have arisen in FY 2025-26, aside from the occasional blend change notices that are issued by the SFPUC when operational changes occur.</li></ul>
✓	c. Review and act on, if necessary, State legislation affecting water quality regulations.	<ul style="list-style-type: none"><li>On-going. No legislative activities have required BAWSCA's engagement in the first half of FY 2025-26.</li></ul>

(Mid-Year Status Shown in 1<sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)**BAWSCA OBJECTIVE & FY 2025-26 WORK PLAN****FAIR PRICE****9. Perform Matters that Members Agencies Delegated to BAWSCA in the Water Supply Agreement**

	a. Administer the WSA with San Francisco to protect the financial interests of members.	<ul style="list-style-type: none"><li>Completed review of the SFPUC's calculation of the annual Wholesale Revenue Requirement (WRR) and changes in the Balancing Account for FY 2022-23 and reached an agreement with the SFPUC related to its costs allocated to the Wholesale Customers on October 9, 2025. This agreement resulted in a credit of \$105,835, including interest, as a credit to the Wholesale Customers. In addition, BAWSCA's negotiations with SFPUC during a prior WRR review resulted in a reduction in the FY 2022-23 WRR, or savings to the Wholesale Customers, of \$3,371,450.</li><li>Completed review of the SFPUC's calculation of the annual WRR and changes in the Balancing Account for FY 2021-22 and reached an agreement with the SFPUC related to its costs allocated to the Wholesale Customers on June 27, 2025 (a few days before the end of FY 2024-25). This agreement resulted in a credit of \$26,886, including interest, as a credit to the Wholesale Customers. In addition, BAWSCA's negotiations with SFPUC during a prior WRR review resulted in a reduction in the FY 2021-22 WRR, or savings to the Wholesale Customers, of \$1,506,662.</li><li>Ongoing effort to ensure that SFPUC meets its financial reporting obligations required by the WSA.</li></ul>
	b. Administer BAWSCA's revenue bonds issued to retire capital debt owed by the Wholesale Customers to San Francisco.	<ul style="list-style-type: none"><li>Ongoing administration of bond surcharge collection from Members each month and proper fund allocation at the Trustee according to the Bond Indenture to ensure sufficient fund for on-time debt service payments.</li><li>Performed account reconciliation based on the SFPUC's</li></ul>

(Mid-Year Status Shown in 1<sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

**BAWSCA OBJECTIVE & FY 2025-26 WORK PLAN**

	<p>surcharge collection report and Trustee's account statements at the end of each month.</p> <ul style="list-style-type: none"><li>• Ongoing maintenance of proper records to ensure on time annual continuing disclosure filing to the Municipal Securities Rulemaking Board.</li><li>• Prepared Quarterly Bond Surcharge Collection Report for the Board that presents the status of surcharge collection and the account balance at the Trustee.</li><li>• Complied with tax requirements to preserve the tax-exempt status of the 2023A bonds.</li><li>• Reviewed the investment strategy for the bond proceeds and determined that the current 0-5 year laddered portfolio strategy remains appropriate.</li></ul>
--	--

**AGENCY EFFECTIVENESS**

**10. Maintain Community Allies and Contacts with Environmental Interests**

✓	a. Maintain close relationships with BAWSCA's local legislators and allies, and activate them, if necessary, to achieve agency goals.	<ul style="list-style-type: none"><li>• On-going.</li></ul>
✓	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.	<ul style="list-style-type: none"><li>• On-going.</li></ul>
✓	c. Maintain effective communications with members, customers, and others to achieve results and support goals.	<ul style="list-style-type: none"><li>• On-going.</li></ul>
✓	d. In conjunction with San Francisco, conduct or co-sponsor tours of the Regional Water System for selected participants.	<ul style="list-style-type: none"><li>• A tour of the Regional Water System, including the Hetch Hetchy reservoir facilities, was held on Sept. 30 – October 1, 2025.</li></ul>

(Mid-Year Status Shown in 1<sup>st</sup> Column: ! Needs Attention ● Experiencing Delay ✓ Complete/On Track ★ Extraordinary Result)

**BAWSCA OBJECTIVE & FY 2025-26 WORK PLAN**

**11. Manage the Activities of the Agency Professionally and Efficiently**

<input checked="" type="checkbox"/>	a. Implement BAWSCA's Student Internship Program	<ul style="list-style-type: none"><li>On-going. BAWSCA's most-recent summer intern was in place from early June 2025 through mid-August 2025.</li><li>BAWSCA staff participated in an event hosted by Eastside College Prep. during which students who would be soon attending Universities were given guidance as to how to prepare for possible future internship opportunities.</li></ul>
<input checked="" type="checkbox"/>	b. Implement Board policy directives for management of BAWSCA's unfunded OPEB and pension liability obligations.	<ul style="list-style-type: none"><li>On-going.</li></ul>
<input checked="" type="checkbox"/>	c. Maintain a motivated, trained, and effective Workforce.	<ul style="list-style-type: none"><li>On-going.</li></ul>
<input checked="" type="checkbox"/>	d. Manage and interact with the Consultant selected to serve as BAWSCA's Human Resources Services provider	<ul style="list-style-type: none"><li>On-going</li></ul>
<input checked="" type="checkbox"/>	e. Continue development of a staff-led plan to address BAWSCA's long-term policy & operational resilience to inform future policy decision making.	<ul style="list-style-type: none"><li>Work to secure an HR Consultant is progressing, with an anticipated RFP Advertisement date of January 2026. The HR Consultant is anticipated to be in place during the 4<sup>th</sup> quarter of FY 2025-26.</li></ul>

**Table 2. Historical Annual Assessments and Year-End Reserves**

Fiscal Year	Assessments	Year-End Reserves	Operating Budget	Reserve as a % of Budget
2003-04	\$1,668,550	\$276,480	\$1,821,350	15%
2004-05	\$1,641,995	\$246,882	\$1,838,490	13%
2005-06	\$1,953,998	\$240,000	\$2,099,975	11%
2006-07	\$2,117,904	\$654,000	\$2,291,904	29%
2007-08	\$2,117,904	\$691,474	\$2,508,967	28%
2008-09	\$2,309,000	\$507,474	\$2,763,196	18%
2009-10	\$2,517,000	\$407,192	\$2,766,945	15%
2010-11	\$2,517,000	\$653,763	\$2,680,394	24%
2011-12	\$2,517,000	\$916,897	\$2,619,705	35%
2012-13	\$2,517,000	\$985,897	\$2,780,504	35%
2013-14	\$2,516,812	\$521,897	\$3,280,189	16%
2014-15	\$2,642,653	\$225,461	\$2,939,286	8%
2015-16	\$3,276,889	\$776,620	\$3,201,679	24%
2016-17	\$3,440,734	\$1,202,592	\$3,468,008	35%
2017-18	\$3,543,957	\$1,561,144	\$3,704,572	42%
2018-19	\$3,579,397	\$1,115,848	\$4,278,585	26%
2019-20	\$3,686,779	\$1,037,877	\$4,569,750	23%
2020-21	\$3,686,779	\$996,743	4,163,179	24%
2021-22	\$3,871,118	\$758,794	\$4,799,544	16%
2022-23	\$4,838,897	\$1,046,550	\$4,750,885	22%
2023-24	\$4,838,897	\$1,459,390	\$4,983,419	29%
2024-25	\$5,274,398	\$1,356,288	\$5,614,518	24%
2025-26	\$5,395,709	\$1,705,262*	\$5,547,732	31%

\*As of November 30, 2025

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD OF DIRECTORS MEETING**

**Agenda Title:** Fiscal Year 2026-27 Work Plan and Budget Planning Session

**Summary:**

Each year, the BAWSCA budget is prepared to meet a specific work plan and identified results to be achieved. The development of the preliminary work plan begins by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face next fiscal year, and between now and 2065. This long-term perspective helps anticipate and identify the results that must be achieved during FY 2026-27. A preliminary list of challenges as updated for the FY 2026-27 budget process appears in Table 1.

As has been done in the past several years, the work plan and budget preparation will be initiated with a planning session with the Board, providing an early opportunity for input on near-, mid- and long-term issues for consideration as part of the work plan development.

**Recommendation:**

This item is for Board discussion only. Board feedback and input on the near-, mid- and long-term issues for consideration as part of the work plan development are requested at this time.

**Discussion:**

The FY 2026-27 Work Plan and Budget development process is being initiated with a Board planning session. The goal of the planning session is to receive Board input on near-, mid- and long-term issues for BAWSCA to consider in developing its FY 2026-27 Work Plan.

The preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide a reliable and high-quality water supply at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of its member agencies and their customers. In each case, the challenges relate directly to BAWSCA's goal of ensuring a reliable supply of high-quality water at a fair price for the water customers.

Input received from the Board will be reviewed and addressed by the CEO in developing the Preliminary FY 2026-27 Work Plan and Budget, which will be presented to the BPC in February and the Board in March. Following further Board input, a recommended Work Plan and Budget will be presented to the BPC in April for its review and presented to the Board for recommended adoption in May.

**Attachment:**

- Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers (Preliminary FY 2026-27)

(This page was intentionally left blank)

Table 1: Future Challenges Facing BAWSCA, Member Agencies, and Their Customers (Preliminary FY 2026-27)

BAWSCA Goal and Associated Challenges	FY 2026-27 (Near-Term)	2025-2040 (Mid-Term)	2040-2065 (Long-Term)
<b>Reliable Supply: Ensure Long-Term Water Supply Reliability</b>			
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 regulatory challenges, as presented in the Long Term Vulnerability Analysis.	X	X	X
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
Protection of BAWSCA member agencies from normal and dry year supply shortages and resulting excessive economic impacts.	X	X	X
Reflection of member agencies' long-term water supply needs and investments in regional planning efforts.	X	X	X
Support member agencies in their efforts to ensure system reliability during an emergency.	X	X	X
Representation of member agencies in Federal relicensing of New Don Pedro to protect SF RWS water supply reliability.	X	X	
Representation of member agencies in Bay Delta Plan Update to protect RWS water supply reliability.	X	X	
Assist member agencies in complying with the State's expanding regulatory requirements related to water use efficiency and reliability.	X	X	X
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	
<b>Reliable Supply: Ensure Regional Water System Facility Reliability</b>			
Protection of water supply and financial interests of water customers in SFPUC's development and implementation of its 10-Year CIP.	X	X	X
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
Promote emergency resiliency of the SF RWS to protect interests of water customers.	X	X	X
Protection of water supply and financial interests of water customers in SFPUC's WSIP implementation, including through continuing state oversight (exp. 1/1/2036).	X	X	
Due to the SFPUC's potential competing demands for capital and possible future limitations on financing, work to extend the RFA's authority to issue revenue bonds (exp. 1/2030) and explore uses of the RFA to finance projects key to regional water system reliability.	X	X	X
<b>High Quality Supply &amp; Fair Price: Enforce Water Supply Agreement (WSA)</b>			
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
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
Protection of water customers interests in ensuring SF maintains its Tuolumne River water rights.	X	X	X
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	X
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	
<b>Management of Agency</b>			
BAWSCA CalPERS pension & OPEB liability management	X	X	X
Ensure Agency's near-term and long-term resiliency	X	X	X

(This page was intentionally left blank)

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**BOARD OF DIRECTORS MEETING**

**Agenda Title:** Consultant Billing Rate Market Comparison

**Summary:**

This memorandum summarizes the results of BAWSCA's recent review of consultant billing rates that are currently in place for FY 2025-26. This review compared the current rates paid by BAWSCA with the rates paid by other public agencies in the Bay Area for similar consultant services. In all cases, the market comparison indicates that BAWSCA's current consultant billing rates are within an acceptable range.

**Recommendation:**

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

**Discussion:**

In May of each fiscal year, the Board is asked to adopt a work plan and budget for the coming fiscal year starting July 1. As part of that work plan, consultant support is identified and the necessary consultant agreements to provide that support are also considered by the Board for approval.

To access the necessary consulting services in an efficient and cost-effective manner and depending upon the specific work plan task, BAWSCA relies on a combination of annual contracts with the same consultants (i.e., Stetson Engineering, Inc. for assistance in BAWSCA's administration of the Water Supply Agreement), continuing support for a specific multi-year project (i.e., Hazen & Sawyer for the preparation of an updated Demand Study), legal support as needed (i.e. Orrick for legal interpretation of the BAWSCA bond documents), and procuring additional, specific expertise for one-time or limited support in accordance with BAWSCA's procurement policy. This process of both annual consultant contracts and specific, one-time contracts is a well-established practice at BAWSCA. At the same time, the need to regularly review consultant billing rates is also recognized.

Such a billing rate review and market comparison allows BAWSCA to verify that the agency is continuing to access the necessary consultant services in an efficient and cost-effective manner. If the review indicates that a consultant's rates are not in line with what could be viewed as reasonable, BAWSCA has the ability to take further action, including seeking rate adjustments or initiating a formal proposal solicitation process.

**Consultant Billing Rate Market Comparison – Contracts in Place for FY 2025-26**

BAWSCA staff conducted a review of the billing rates established for FY 2025-26 for agreements in place with consultants under contract. This review effort considered the service-type provided, the consultant staff assigned and their associated billing category, and the degree that consultant continuity is required for the work effort where support is provided. The review was completed in November 2025.

BAWSCA's recent Request for Proposals (RFPs) and Request for Qualifications (RFQs) issued during this current and the preceding fiscal year resulted in multiple submittals enabling

BAWSCA to compare the rates it is currently charged against those proposed by competing firms and for other clients.

Exhibit A presents the results of the billing rate review for FY 2025-26. In all cases, rates that BAWSCA is charged are within an acceptable range.

BAWSCA also reviewed billing rates for Legal Counsel by accessing publicly available information from other California government agencies. That rate comparison analysis indicated that BAWSCA is charged a reasonable rate for that service category.

BAWSCA performs a market comparison on a regular, but not annual, basis. The review can prove time consuming and requires significant input and willingness from both internal and external agencies to collect the required information, which plays a factor into the schedule of rate reviews.

Any new work effort included in future work plans that does not reasonably fall within an existing consultant's scope will follow the agency's adopted procurement policy.

**Attachment:**

1. Exhibit A – BAWSCA Consultant Billing Rate Market Comparison for recent Fiscal Year Contracts

**EXHIBIT A**  
**BAWSCA Consultant Billing Rate Market Comparison for FY 2025-26 Agreements**

<b>Work Effort Category</b>	<b>Work Effort Subcategory</b>	<b>BAWSCA Consultants</b>	<b>Hourly Rate Charged by Project Managers and Senior Staff for FY 2025-26</b>	<b>Market Comparison for Comparable Position</b>
Water Resources, Water Conservation, and CIP Work Efforts	Water Resources (e.g., Hydrologic Modeling, 2025 Demand Study)	Hazen & Sawyer	\$160 - \$345	\$190 - \$358
	Water Conservation (e.g., Water Use Efficiency Workshops)	WSC	\$147 - \$310	\$140 - \$355
	CIP and WSIP Review	Richard Sykes	\$236	\$300
Legal Counsel	Water Resources, Financial and Organizational Subcategories	Hanson Bridgett (Principal Level)	\$500	\$603 - \$780
Fair Pricing Work Efforts	Arbitrage Rebate Compliance	BLX Group	\$2,000	\$2,000 - \$6,000 (depending on complexity of scope)
	Cost Allocation Review	IGService	\$220	\$240-325
	Financial Advisory	KNN Public Finance	\$290-375	\$250-415
	Bond Counsel	Orrick, Herrington & Sutcliffe	\$995	\$1,100 (top tier bond counsels)
	Investment Advisory	Public Trust Advisors	8 basis points	10 basis points
	Water Usage Analysis	Stetson Engineering	\$106-\$244	\$190-\$358

(This page was intentionally left blank)



---

155 Bovet Road, Suite 650  
San Mateo, California 94402  
(650) 349-3000 tel. (650) 349-8395 fax

**MEMORANDUM**

**TO:** BAWSCA Board of Directors  
**FROM:** Tom Smegal, CEO/General Manager  
**DATE:** January 9, 2026  
**SUBJECT:** Chief Executive Officer/General Manager's Letter

---

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

BAWSCA continues to make steady progress on its Long-Term Reliable Water Supply Strategy (Strategy 2050), with work scheduled through January 2027. As part of this effort, staff have been providing regular updates to the Water Management Representatives (WMRs) on key work products across multiple tasks. On December 4, 2025, BAWSCA presented its latest work under Task 1C: Assessing Existing Risks and Emergency Frameworks. Staff received feedback from the WMRs, incorporated refinements based on their input, and will further explore emergency planning frameworks at the February 5th WMR meeting. This work represents an important milestone in identifying system vulnerabilities and reviewing differences and best practices in emergency planning and response.

Other components of Strategy 2050 are also advancing. The overarching objective of Strategy 2050 is to identify regional water supply management needs and opportunities while developing a framework to enhance long-term reliability and resilience. Achieving this vision will require continued engagement with WMRs, the Board, and external stakeholders to ensure BAWSCA is well-positioned to meet the region's evolving water challenges. In support of this goal, BAWSCA held another One Water Roundtable on December 15, 2025, with about 40 participants representing wastewater agencies, county governments, environmental and business organizations, community-based nonprofits, and BAWSCA member agencies.

The Roundtable provided an overview of upcoming Strategy 2050 activities and served as a forum for discussion of the criteria used to evaluate potential water supply projects and actions (P&As). These evaluation criteria address key considerations such as dry-year reliability benefits, water quality impacts, regulatory and operational complexity, and community and environmental benefits. Participants also worked collaboratively to develop portfolios of P&As, which are strategic groupings of local and regional projects organized around common themes. Each portfolio reflects a distinct approach to improving water supply reliability across the BAWSCA region. Example portfolio themes include maximizing dry-year reliability, enhancing community benefits, diversifying water supplies, strengthening system resilience, and promoting environmental sustainability. Input from the One Water Roundtable will help ensure that the evaluation criteria and resulting portfolios reflect regional priorities and practical implementation considerations.

**Water Use Efficiency Requirement Workshops - Update:**

In October 2025, BAWSCA (in partnership with Valley Water) launched its Water Use Efficiency Legislation Workshops led by BAWSCA's consultant, Water Systems Consulting, Inc. The workshops are meant to provide a forum to learn and discuss all aspects of the Making Conservation a California Way of Life Legislation (SB 606 & AB 1668). So far, BAWSCA and Valley Water have hosted 6 online workshops for their respective member agencies. Each workshop has its own theme and focus on a particular aspect of the legislation. The workshops have been well attended with roughly 30-50 participants in each and the agency representatives were pleased with the assistance they've received through the collaboration. In 2026, the remaining 6 workshops will dive deeper into the more complex aspects of the legislation with 2 in-person and 4 2-hour online workshops.

**SFPUC 10-Year Capital Improvement Plan (CIP):**

SFPUC prepares a new 10-Year CIP for their Commission's Adoption every 2 years. Presently the SFPUC is in the midst of finalizing its 10-Year CIP for FY 2027-36. Under the Water Supply Agreement (WSA), the SFPUC is required to engage with BAWSCA during the latter stage of their CIP development process.

The SFPUC intends to hold workshops during the month of January to present the proposed FY 2027-36 CIP to their Commission prior to an adoption hearing that is scheduled to take place at their Commission's Feb 10th regular meeting. The SFPUC's 10-Year CIP covers multiple enterprises: Water; Power; and Wastewater. The Water Enterprise has a component of their work that covers in-City facilities and a separate component that covers regional facilities. The Hetch Hetchy Enterprise has a component of their work that is categorized as benefiting water supply needs, a second component that is categorized as benefiting power needs, and a third component that is categorized as benefiting both water supply and power needs. BAWSCA's review of the SFPUC's 10-Year CIP is focused on those CIP elements that BAWSCA agencies have a fiscal responsibility toward.

The proposed workshop for the SFPUC's Water Enterprise and Hetch Hetchy Enterprise CIP is scheduled to take place on Jan 29th. Per the WSA, the SFPUC must provide BAWSCA their workshop materials 14 days in advance (e.g., by Jan 15th). BAWSCA's review of the SFPUC's 10-Year CIP is tailored to fit within that relatively short window of time allowed per the WSA.

In consideration of the review time window, the SFPUC provided BAWSCA with preliminary budget details on December 12, 2025. In addition, the SFPUC met with BAWSCA on Dec. 29th to address BAWSCA's subsequent questions concerning the preliminary details. The information shared with BAWSCA suggests that the 10-Year CIP budget, both yearly and the 10-year total, will remain at approximately the same level as that adopted by the SFPUC for the prior cycle. There are a few new projects proposed, and there are also proposed adjustments to the schedule of existing projects. The SFPUC emphasized that what BAWSCA was provided in December was tentative and subject to change.

BAWSCA will be reviewing the draft final 10-Year CIP materials when they are made available by the SFPUC in mid-January. BAWSCA anticipates preparing written comments on the proposed 10-Year CIP and submitting comments to the SFPUC Commission for consideration at their Feb. 10th adoption hearing. BAWSCA will also request that the SFPUC provide a presentation regarding their FY 2027-36 10-YR CIP to the BAWSCA Board in March.

# # #

# Board of Directors

## Policy Calendar Through November 2026

Meeting Date	Purpose	Issue or Topic
March 2026	R&D	Presentation of Preliminary FY 2026-27 Work Plan and Budget
	R&D	BAWSCA's Strategy 2050
	R	Review of Water Supply Forecast
	R	SFPUC 10-Year CIP
May 2026	D&A	Consideration of Proposed FY 2026-27 Work Plan and Operating Budget
	D&A	Consideration of Professional Services Agreements
	R&A	BAWSCA's Publicly Available Pay Schedules
	R	Review of Water Supply Forecast
July 2026	D&A	Review of CEO/General Manager Evaluation Procedure
	R&D	BAWSCA's Strategy 2050
	R	SFPUC Alternative Water Supply Program Update
September 2026	D&A	CEO/General Manager Performance Evaluation
	R&A	BAWSCA's Publicly Available Pay Schedules
	R	Review of Water Supply Forecast
November 2026	R&A	Annual Review and Consideration of Statement of Investment Policy
	R&D	BAWSCA's Strategy 2050
	R	Review of Water Supply Forecast

(This page was intentionally left blank)

**Bay Area Water Supply and Conservation Agency  
and Regional Financing Authority**

**Meeting Schedule through January 2027**

<b>Schedule for BAWSCA Board Meetings (Meetings are held from approx. 6:30 – 8:45 p.m.)</b>	
<u>Date</u>	<u>Location</u>
Thursday – November 20, 2025	Burlingame Community Center – Sequoia Room
Thursday - January 15, 2026	Burlingame Community Center – Sequoia Room
Thursday – March 19, 2026	Burlingame Community Center – Sequoia Room
Thursday – May 21, 2026	Burlingame Community Center – Sequoia Room
Thursday – July 16, 2026	Burlingame Community Center – Sequoia Room
Thursday – September 17, 2026	TBD
Thursday – November 19, 2026	TBD
Thursday – January 21, 2027	TBD

<b>Schedule for RFA Board Meetings (Meeting time will be announced)</b>	
<u>Date</u>	<u>Location</u>
Thursday – January 21, 2027	TBD

<b>Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.)</b>	
<u>Date</u>	<u>Location</u>
Wednesday – October 8, 2025	Burlingame Community Center – Sequoia Room B
Wednesday, December 10, 2025	Burlingame Community Center – Sequoia Room B
Wednesday – February 11, 2026	Burlingame Community Center – Sequoia Room B
Wednesday – April 8, 2026	Burlingame Community Center – Sequoia Room B
Wednesday – June 10, 2026	Burlingame Community Center – Sequoia Room B
Wednesday – August 12, 2026	TBD
Wednesday – October 14, 2026	TBD
Wednesday – December 9, 2026	TBD