BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

December 10, 2025 – 1:30 p.m.

MINUTES

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 FY 2026-27 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 <u>minus</u> 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. <u>Report and Discussion</u>:

A. <u>2025 Regional Water Demand and Conservation Study:</u> 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.

<u>Approach</u>
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. <u>Development of Baseline Demand Projections</u> 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. <u>Conservation Accounting</u> 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 1st 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 5th 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. <u>Potential Additional One-Time Payment to CalPERS to Reduce BAWSCA's Unfunded Pension Liability</u>: 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 30th 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
Payment	$100K	$200K	$250K	$300K	$400K
GR to Budget Ratio	29%	27%	26%	25%	24%
Est. UAL Pay Off Yr	2039	2037	2035	2034	2033
UAL Funded Ratio	90.2%	91.4%	92.1%	92.7%	94.0%
Est. NPV Savings	$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
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

Director	Comments	Preferred Option
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 15th 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 20th Board Meeting. As previously reported, the State Water Resources Control Board (State Board) will produce a 2nd draft of the Scientific Basis Report for the Tuolumne River based on the comments received at the November 5th State Board workshop and the written comments received by the November 7th deadline. The 2nd 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.

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.

Respectfully submitted,

Thomas Smegal, CEO/General Manager

TS/le

Attachments: 1) Attendance Roster

Bay Area Water Supply and Conservation Agency

Board Policy Committee Meeting
Attendance Roster

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