



Board Policy Committee Meeting

October 14, 2026



A multi-county agency authorized to plan for and acquire supplemental water supplies, to encourage water conservation and use of recycled water on a regional basis.

BAWSCA Act, AB 2058 Louis Papan-2002

Item #1

Call to Order



Item #2

Comments by Chair



Item #3

Consent Calendar



Item #4

Public Comments on Items not on the Agenda



Agenda Item #5

Action Calendar



Temporary Appointment of Nicole Sandkulla as Special Counsel

- The Board appointed former CEO, Nicole Sandkulla, in 2024 to serve as Special Counsel to the CEO/General Manager for a period of twenty-four months.
- Her services continues to be essential to the CEO/General Manager.
- CalPERS allows the temporary employment of a CalPERS-covered retiree under specified conditions, including:
 - The Board finds the Appointee possesses extensive specialized skills and experience needed to provide critical executive strategic advice and counsel to the CEO/General Manager
 - No more than 960 hours per fiscal year
 - Salary consistent with the adopted salary range for the most closely related position
 - No other benefit, incentive, or compensation in-lieu of in addition to the hourly rate
- The recommended resolution reflects these specified conditions and findings as required by CalPERS regulations.

Recommendation

That the Board Policy Committee recommend the Board adopt Resolution #2026-02 approving the temporary re-appointment of Nicole Sandkulla to the position of Special Counsel to the CEO/GM and making associated findings in support of such an appointment.

Current Investment Policy Reflects Language Consistent with State Law

- BAWSCA's Investment Policy requires annual review of the Statement of Investment Policy
 - Primary objectives: safety, liquidity and yield
- Last reviewed in November 2025
 - No changes made
- Both agency funds and bond funds are invested per Investment Policy
 - Most agencies have the Policy govern agency funds, not bond funds
 - Permitted investments reflect the agency's circumstances and primary investment objectives

No Changes to BAWSCA's Investment Policy Are Recommended

Section 6.A. Permitted Investments and Depositories of Agency Funds

- i. Agency funds may be deposited only in state or national banks and state or federal savings associations with offices in California that meet the requirements and conditions of the California Government Code, as it may be amended from time to time.
- ii. Collateralization will be required on all deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limit, in accordance with Government Code Sections 53630-53686~~7 and Section 16522~~. Funds not deposited in banks or savings associations shall be invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, in accordance with Government Code Section 16429.1.

Section 7. Permitted Investments and Depositories of Bond Proceeds

Pursuant to Government Code section 53601(m), a local agency may invest bond proceeds "in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance ~~of those bonds~~." Typically, a local agency will specify in its investment policy that the investment of bond proceeds is out of the scope of the investment policy because permitted investments are specified in the bond indenture.

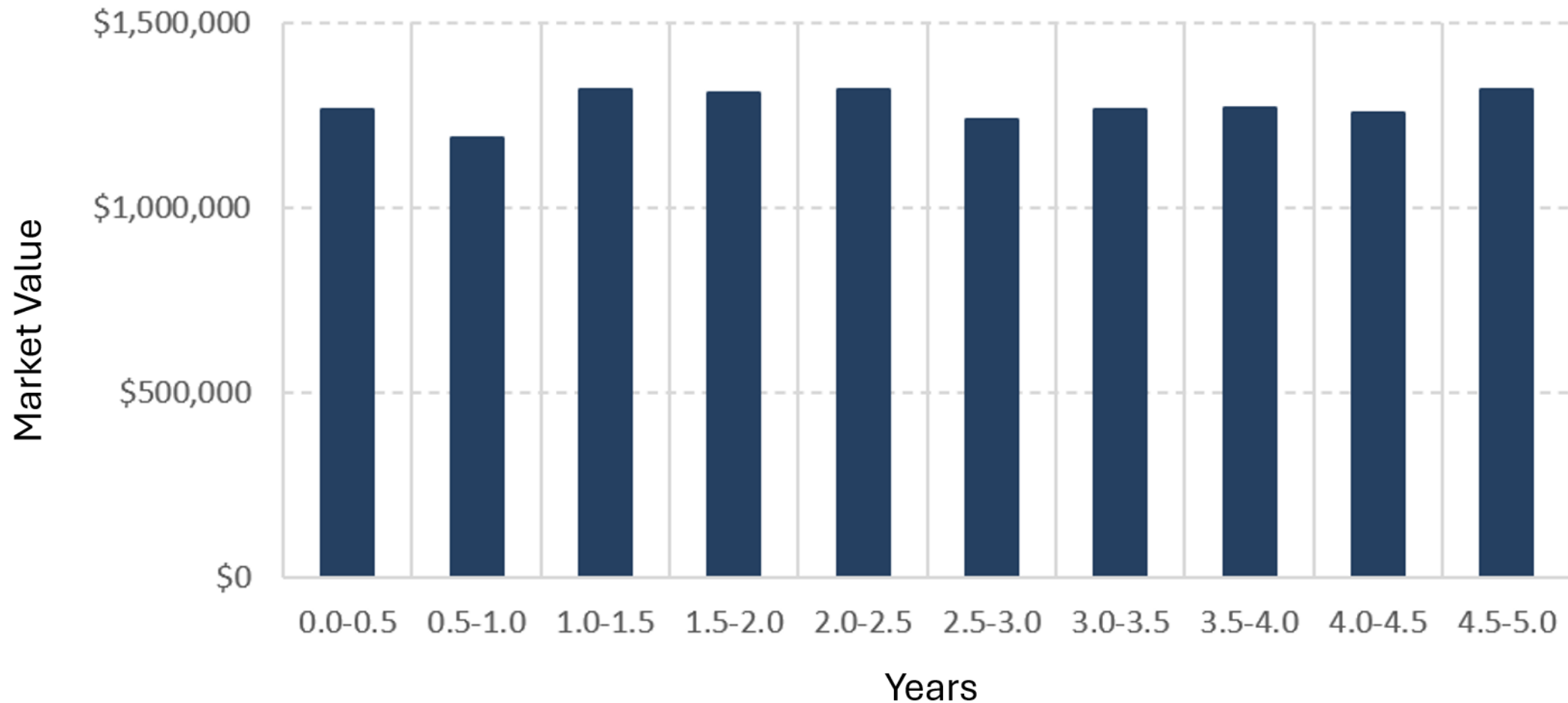
Instead, BAWSCA has determined that it would like to at least temporarily use its Investment Policy to restrict the vehicles permitted for the investment of bond proceeds to more conservative investments than are permitted by the Revenue Bond Indenture, dated January 1, 2013, by and between BAWSCA and the Trustee (the "Indenture").

Overview of Investment Strategy for Bond Stabilization Fund

- The Federal Reserve raised rates by 25 basis points in September due to persistent inflation, signaling they may stay higher for longer
- BAWSCA's longer-term portfolio strategy is performing well
 - Continues to provide important diversification across the yield curve
 - Helps mitigate the risks associated with changes in interest rates
- Based on a recent evaluation, the current 0-5 year ladder maturity investment strategy is determined appropriate
- Total bond funds held by Trustee: \$19,301,172 (as of 10/1/2026)
 - \$6.6M bond surcharges – in Money Market Fund
 - \$12.7M stabilization fund – in U.S. Treasury Securities

0-5 Year Laddered Maturity Strategy Is Determined Appropriate

Stabilization Fund Investment Portfolio Maturity Distribution as of 10/6/2026



Recommendation

That the Board Policy Committee recommend Board re-affirmation of the current Statement of Investment Policy.

Agenda Item #6

Reports And Discussions



Agenda Item #6A

Discussion
of Desirable
Skills and
Background
for the Next
SFPUC
General Manager



SFPUC is soliciting BAWSCA feedback in its search for a new GM

- The GM oversees SFPUC's water, wastewater, and power enterprises
- The collective wholesale customers (represented by BAWSCA) count on a constructive working relationship with the GM
- The GM is also a member of the Regional Financing Authority Board
- Candidate evaluation will soon commence
 - This BPC meeting is likely the last opportunity to provide useful input from BAWSCA
- BPC input questions:
 - What priorities should the next SFPUC General Manager make?
 - What opportunities are there for the next GM to take advantage of?
 - What attributes, skills, and experiences would be most important in the next GM ?

Item #6B

BAWSCA's
Strategy 2050
– Draft
Implementation
Plan



- Share the Draft Implementation Plan framework and how it was developed to inform Strategy 2050 decisions.
- Present potential implementation levels, ranging from BAWSCA's current role to an expanded leadership role.
- Seek BPC input on the overall direction of the plan and discuss next steps.

- What level of involvement is appropriate for BAWSCA in implementing Strategy 2050?
- What regional priorities, organizational-capacity, and resource and funding considerations should guide selection of an implementation level?
- Are there priority areas the BPC would like to see emphasized in the Implementation Plan?
- What revisions should staff make before the item advances for broader Board discussion?

Purpose: To identify the water supply management needs and opportunities for the BAWSCA region and establish a framework to collectively support water reliability and resilience.

Objectives align with BAWSCA's goal to ensure a reliable supply of high-quality water at a fair price

1 Provide a comprehensive picture of the region's supply and demand management needs and options



2 Establish a framework for collectively maintaining and improving regional water supply reliability and resilience.



3 Elevate awareness of and support the region's interests in new and emerging regulations that impact water supply and demand management.



4 Expand regional dialogue and collaboration to collectively address common needs.



5 Close the gap on funding needed for water supply resilience and reliability.



6 Support availability of affordable water supplies and demand management strategies to all customers.



The Implementation Plan translates Strategy 2050 findings and recommendations into an organized program that considers relative priorities, roles, and resource needs.

I **Compile**

Recommended actions
from each Strategy 2050
task

2 **Categorize**

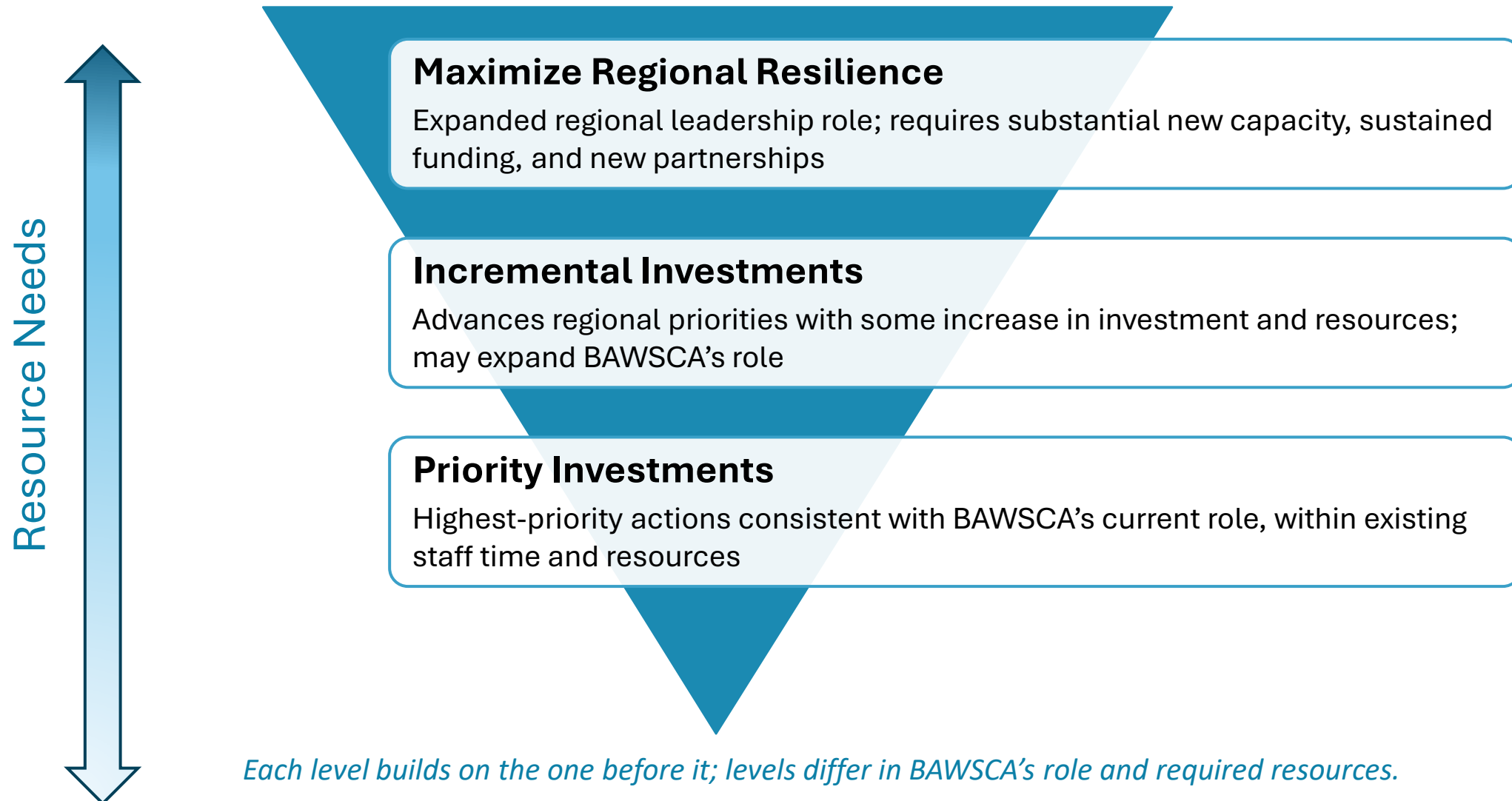
Actions grouped by
relative priority and level
of effort

3 **Define levels**

Three cumulative levels,
from BAWSCA's current
role to an expanded
leadership role

4 **Discuss**

Gather input from WMRs
(Oct. 1 meeting and
follow-up survey) and the
BPC to refine the plan



Implementation Plan categories and related Strategy 2050 objectives

Strategy Implementation and Adaptive Management	Obj. 4 Track each recommended project and action (P&A), with responsible parties and target dates, and report progress and emerging issues twice a year.
Near-Term Priority Actions	No-regret, “low-hanging fruit” actions, such as conservation programs for commercial audits, public education, and technical workgroups.
Regulatory Support	Obj. 3 Elevate awareness of and support the region’s interest in new and emerging regulations that impact water supply and demand management.
Funding and Financing	Obj. 5 Close the gap on funding needed for water supply resilience and reliability.
Affordability	Obj. 6 Support availability of affordable water supplies and demand management strategies to all customers.
Emergency Resilience	Assess existing emergency frameworks and best practices from other regions to improve resources and coordination across BAWSCA Agencies.

*Given that the portfolio evaluation is still underway, recommendations for supply reliability projects and actions, and associated funding approaches, will be discussed at a future BPC meeting.

Priority Investments

Highest-priority actions:

- Track each recommended project and action (P&As), including who is responsible and target dates
- Report on progress and emerging issues twice a year

Incremental Investments

In addition to Priority Investments:

- Plan grant applications and advocacy around priority P&As
- Provide technical support to member agencies developing local P&As

Maximize Regional Resilience

Priority Investments

Highest-priority actions:

- Develop a Conservation Strategic Plan
- Advance low-cost, broadly beneficial actions, such as commercial water audit programs, public education, technical workgroups and coordination with other regional agencies

Incremental Investments

Maximize Regional Resilience

Priority Investments

Highest-priority actions:

- Build relationships with policymakers and regulators
- Help member agencies meet new state water use efficiency requirements, especially for businesses and institutions
- Support coordination on water quality

Incremental Investments

In addition to Priority Investments:

- Expand tracking of and advocacy on state legislation and regulations
- Support programs for reusing water on site (for example, within buildings) and public education on purified recycled water
- Address emerging issues, such as water use by data centers

Maximize Regional Resilience

Cumulative of prior levels, with additional actions:

- Offer a regional program to help implement and inspect on-site water reuse systems
- Run a broad public outreach campaign on purified recycled water

Priority Investments

Highest-priority actions:

- Help member agencies pursue grants and loans
- Continue existing regional financing efforts

Incremental Investments

In addition to Priority Investments:

- Advocate regionally for funding for priority P&As

Maximize Regional Resilience

Cumulative of prior levels, with additional actions:

- Establish a regional funding program, independently or with the San Francisco Public Utilities Commission (SFPUC)
- Use BAWSCA's financing authority to fund regional P&As
- Serve as a sponsor for P&As

Priority Investments

Highest-priority actions:

- Periodically update the assessment of water affordability across the region
- Provide guidance so member agencies can apply the assessment using their own data

Incremental Investments

In addition to Priority Investments:

- Help member agencies design customer assistance programs
- Facilitate regional discussion of what affordable water bills look like given local cost of living

Maximize Regional Resilience

Cumulative of prior levels, with additional actions:

- Coordinate a water bill assistance program with a nonprofit partner
- Develop template partnership agreements for BAWSCA agencies

Priority Investments

Highest-priority actions:

- Support updates to the regional emergency contact list
- Build a shared library of emergency templates and documents
- Strengthen coordination with county emergency services offices

Incremental Investments

In addition to Priority Investments:

- Hold regular working sessions on emergency preparedness and cybersecurity
- Plan and practice using emergency water interties between agencies
- Develop multilingual emergency communications for customers
- Maintain a shared inventory of emergency equipment
- Establish tracking system of member agency trainings and exercises

Maximize Regional Resilience

Cumulative of prior levels, with additional actions:

- Develop procedures for water quality testing and recovery after an emergency
- Hold annual emergency exercises focused on wholesale customer scenarios
- Pursue grant funding for regional emergency resilience programs

- Refine the Draft Implementation Plan and levels based on feedback from WMRs (including the follow-up survey) and the BPC.
 - Further define cost and resource estimate of each implementation level. For example, currently, maximizing regional resilience for all tasks is estimated to require up to 5 FTE.
- Present to the BAWSCA Board of Directors on November 19, 2026.
- Recommendations for supply reliability projects and actions, and associated funding approaches, will be discussed at a future BPC meeting; the portfolio evaluation is still underway.

Item #6C

BAWSCA's
Request to
the SFPUC to
Review its
Design Drought



BPC Input Sought on a Formal Request to the SFPUC for a Review of their Design Drought

- The Design Drought has served as an important water supply planning tool since 1992
- It tests the reliability of Hetch Hetchy Regional Water System (RWS) supplies during a drought worse than any yet experienced
- BAWSCA's previously stated position:
 - A change to the Design Drought does not appear warranted. However, BAWSCA will not oppose a review of the Design Drought if the process includes a robust, independent, documented analysis by experts in the field and if BAWSCA is actively engaged in the process

Background on the SFPUC's Drought Management Approach

- The 8.5-year Design Drought combines two historically significant droughts — 1986–1992 and 1976–1977 — into a planning drought longer and more severe than anything in the observed record
 - This allows the SFPUC to test how to operate the RWS to maintain a reliable water supply through extended droughts
- The SFPUC's drought management is driven by three factors: (1) its water resources, (2) its water rights, and (3) its system management and operational experience
 - Factor 1 – The Tuolumne represents 85% of the SF RWS Supply and other large water sources are not available
 - Factor 2 – MID and TID hold senior water rights on the Tuolumne meaning in some years San Francisco cannot expect any water
 - Factor 3 - The SFPUC manages the RWS's daily, monthly, and yearly operations. The SFPUC made the careful, cautious decision to plan for two additional drought years beyond 1992

BAWSCA Estimate of the Cost and Schedule for a Design Drought Revisit

- While BAWSCA has no formal cost or schedule estimate for a SFPUC review of the Design Drought, it has held informal discussions with technical consultants to gauge the possible scope and schedule as well as ballpark cost
 - Ballpark Cost Range =\$1M to \$3M
 - Ballpark Schedule = 1 Yr. (min) to 3 Yrs.
- At the onset, the SFPUC would need to:
 - Develop a Scope of Work (and estimated cost and schedule), obtain their Commission's approval, contract with a water resources consulting firm (likely already familiar with the SF RWS), develop a stakeholder engagement plan, collect existing data (to provide to the consultant), and fill in data gaps (if possible)
- The SFPUC may want greater certainty on matters such as whether the State Water Board adopts an Amendment to Bay-Delta Plan Phase 1 before embarking on any analysis
- Significant SFPUC staff engagement would also be necessary, requiring shifts in existing work priorities by SFPUC staff

What are the Compelling Reasons to Request a Revisit?

- The SFPUC began using the Design Drought in its drought planning in 1992. Since then, events and new information have emerged that could justify asking the SFPUC to review including:
 - Climate change
 - Changes in regional growth and water demand patterns
 - Changing environmental requirements including the adopted Phase 1 Bay-Delta Plan and or a potential Amendment to the Phase 1 Plan
- Some Board members would like a change in BAWSCA's Design Drought policy
 - That change would stipulate that BAWSCA advocates for a review of drought planning and the Design Drought

A Review by the SFPUC of their Design Drought has Possible Outcomes

- It is possible that after a review, SFPUC could conclude that a more severe or less severe drought sequence should be used for planning purposes.
 - This might impact future capital investments in alternative water supplies. (There are no significant planned investments in alternative water supplies until 2034.)
- The SFPUC could also conclude that the existing Design Drought continues to be appropriate.

BAWSCA's CEO/GM Plans to Ask For This Review

- BAWSCA will advocate that the SFPUC review its approach to drought management and the Design Drought
 - Staff would begin this effort by formally requesting, via a letter to the SFPUC Commission, that the SFPUC conduct the work and studies needed to confirm the adequacy of its Design Drought (and, if the results warrant, adjustments to the Design Drought as appropriate.)
 - The CEO/GM can implement an adjustment to the Work Plan for FY 2026-27 and efforts can be accommodated in the current adopted budget. However, in future years, additional BAWSCA resources, staff and consultant, might be required to participate in the requested review or comment on it.
 - BAWSCA has no official oversight role in this area. San Francisco may accept the request but is under no obligation to do so.

- CEO/GM Smegal requests input at this time from the BPC on the formal request to the SFPUC for a review of their Design Drought / Drought Management and for the SFPUC to evaluate and provide (to BAWSCA) the scope, cost, and time required for such a review

Item #7

CEO Reports



Bay-Delta Plan – Phase 2

- On August 19th, the State Board released its final draft plan for the Sacramento River and San Francisco Bay-Delta (e.g., Phase 2).
 - Written comments were due Sep. 18th
 - Public comments can be downloaded at this link: <https://ftp.waterboards.ca.gov/#/Sacramento-Delta%20Update/Public%20Comments/>
 - The San Joaquin Tributary Authority (SJTA) submitted comments (SFPUC is a member of the SJTA)
- A public hearing will be held on Oct. 28-29
 - The State Board will consider the plan's adoption at the close of the hearing
- BAWSCA is following Phase 2 matters because they may affect Phase 1

Bay-Delta Plan – Phase 1

- BAWSCA is waiting for the State Board's release of the peer review of their draft Scientific Basis Report
- Progress on Bay-Delta Plan – realistically, BAWSCA expects action on Phase 1 only after Phase 2 is resolved

Litigation Update

- On March 2, 2026, BAWSCA filed its opening brief in the appeal challenging the March 15, 2024, decision in the State Water Board Cases
- The State Board's combined respondent's brief was delayed by 60 days (until Nov. 20, 2026)
- BAWSCA's reply brief is anticipated to be due in Jan. 2027

Item #8

CLOSED SESSION





ADJOURNMENT

NEXT MEETING

December 9, 2026

Burlingame

Community Center