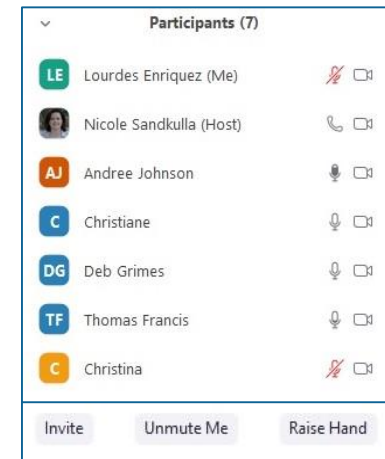


# Meeting Instructions While We Gather

- You have been muted upon entry
- Please feel free to unmute yourself to say “Hi” and test your sound connection
- Please mute yourself during meeting when you are not talking
- Mics and videos will be turned off as appropriate
- The **Raise Hand** button is at the bottom of your “Participants” list.
- To get the “Participants” list, click on the “Participants” button at the bottom of your Zoom Screen.
- If you have technical difficulties, please text Lourdes at 650-799-3854



Bottom left corner  
of your screen





“A multicounty agency authorized to plan for and acquire supplemental water supplies, encourage water conservation and use of recycled water on a regional basis.”

*[BAWSCA Act, AB2058 (Papan-2002)]*

## **Board Policy Committee Meeting August 12, 2020**

# Consideration of Establishing a Water Supply Agreement (WSA) Balancing Account Policy

- Board requested policy related to future use of Balancing Account be brought forward for consideration
- This action item was previously presented at last BPC
- Resolution No. 2020-02 prepared by legal counsel
  - Guides the Board in making written findings to justify the allocation of the positive balance in the Balancing Account taking into consideration the purposes set forth in the WSA
  - Requires findings to reasonably demonstrate that use of Balancing Account funds for identified purposes is in best interests of Wholesale Customers and water customers

# Proposed Amendment Language Modified to Include Analysis of Water Management Charge

- Proposed Resolution has been revised per directions received

*“The Board must make written findings that reasonably demonstrate that applying all or a portion of the positive balance to the selected purpose(s) is in the best interests of the Wholesale Customers taking into consideration the following considerations set forth in the WSA:*

- a) Projected annual Wholesale Rates for the next five fiscal years;*
- b) Wholesale Revenue Coverage Reserve;*
- c) Existing unpaid asset balance(s) under Section 5.03 of the WSA;*
- d) Funding requirements and sources for water conservation or water supply projects administered by the Agency and an analysis comparing the use of the Balancing Account funds compared to implementing a Water Management Charge per WSA Section 3.06.A;*
- e) Any other factor(s) the Board of Directors determines compels application of all or part of the positive balance to a purpose specified in WSA 6.05.B.2.a.”*

# Recommended Action

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That the Committee recommend Board approval of Resolution No. 2020-02 establishing a Balancing Account Policy.



L. Ash, 2017

# Consideration of Proposed Use of Balancing Account

- Balancing Account records the difference between the actual SFPUC costs attributable to the Wholesale Customers and the amount billed to the Wholesale Customers in each year
- Balancing Account serves a critical rate stabilization role in the wholesale rate setting
  - The balance (positive or negative) shall be taken into consideration in establishing wholesale rates and may be prorated over multiple years to avoid fluctuating increases and decreases in wholesale rates
  - If a positive balance is maintained for three successive years and represents 10% or more of the WRR, BAWSCA Board may direct the SFPUC to apply the positive balance to one or more of the purposes set forth in Section 6.05.B.2.a of the WSA
- Projected Balancing Account balance = \$77M as of 6/30/2020
- SFPUC currently plans to use positive balance over next 4 years to moderate wholesale rate increases

# Proposed Use of Balancing Account for WSA

## 5.03.C Prepayment as of 9/30/2020

- WSA specifies six purposes for which a positive Balancing Account balance may be used
  - a) transfer to the Wholesale Revenue Coverage Reserve
  - b) amortization of any remaining negative balance from the ending Balancing Account under the 1984 Agreement
  - c) prepayment of the existing asset balance under Section 5.03
    - As of 9/30/2020, the remaining unpaid principal balance of \$4,030,664 is scheduled to be paid off in 4 years with interest at 4%
    - Proposed use of Balancing Account is to prepay the remaining unpaid existing asset balance above
  - d) BAWSCA administered water conservation / water supply projects
  - e) immediate reduction of wholesale rates
  - f) continued retention for future rate stabilization purposes

# Estimated \$179K Present Value Savings Results from Proposed WSA 5.03.C Prepayment

Remaining WSA 5.03C Balance as of 9/30/2020:		\$ 4,030,664		
		Original	Revised	Prepayment
FYE 6/30		K-5 Payments	K-5 Payments	Savings
2021		\$ 1,159,259	\$ 289,615	\$ 869,644
2022		\$ 1,159,259	\$ -	\$ 1,159,259
2023		\$ 1,159,259	\$ -	\$ 1,159,259
2024		\$ 1,159,259	\$ -	\$ 1,159,259
Total K-5 Payments		\$ 4,637,035	\$ 289,615	\$ 4,347,420
Plus: Principal Paid 9/30/2020:		\$ -	\$ 4,030,664	\$ (4,030,664)
Total Payments		\$ 4,637,035	\$ 4,320,279	\$ 316,756
Present Value of Total Payments <sup>(1)</sup> :		\$ 4,497,429	\$ 4,317,864	\$ 179,565
% of PV Savings <sup>(2)</sup> :				4.5%
(1) Assumes present value discount rate of 1.5%				
(2) As a percent of the unpaid balance				

# Conclusions Based on Findings Required by Draft Balancing Account Policy

- BAWSCA has performed the analysis and provided written findings required by the draft Balancing Account Policy
- Proposed use of Balancing Account on the WSA 5.03.C prepayment is determined appropriate and in the best interests of the Wholesale Customers and the water customers
- The proposed prepayment would result in a total estimated present value savings of approximately \$179,000 to the Wholesale Customers

# Recommended Action

That the Committee recommend Board approval of the proposed use of Balancing Account to prepay the remaining unpaid existing asset balance under WSA Section 5.03.C as of September 30, 2020.



# Los Vaqueros Expansion (LVE) Project

- LVE Project being evaluated by CCWD, BAWSCA and six other agencies
  - Includes expanded surface water reservoir storage and other facilities
- LVE recommended in BAWSCA's Long Term Reliable Strategy
  - Reduce drought rationing impacts of SF Regional Water System (RVWS) shortages
  - BAWSCA interest in LVE focused on securing 10 thousand acre-feet per year of water supply in dry years
- BAWSCA needs to consider participation in next phase of Los Vaqueros Reservoir Expansion (LVE) Project in Sept.
  - Multi-Party Agreement Amendment #2

# Los Vaqueros Reservoir Expansion (LVE) Project Multi-Party Agreement Amendment #2

- Board and Member Agency Feedback Received to Date
- BAWSCA Examining Alternatives Based on Feedback Received to Date from Board and WMRs
- BAWSCA Interest & SFPUC Interest in LVE
- BAWSCA Remains Supportive of LVE
- Staff Recommended Action Reflecting Board and WMR Input

# Additional Feedback from Board and Member Agencies to Support Decision Making

- No new information regarding costs or SBA capacity has been provided to BAWSCA since the July Board meeting
- July Board discussion regarding interest in LVE yielded helpful information
  - A few agencies do not support BAWSCA's continued participation as a Local Agency Partner (LAP)
  - A few agencies do support BAWSCA's continued participation as a LAP
  - Majority of agencies are undecided due to questions about costs, access and reliability of LVE water
- WMR survey results
  - Sentiment mirrored that of the Board
  - Suggested a subscription program option

# BAWSCA Examining Alternatives Based on Feedback Received to Date from Board and WMRs

- Options for continued involvement in LVE explored
- Subscription program deemed not feasible
  - LVE is dissimilar to typical conservation subscription programs
  - Significant staff and legal resources would be required for continued involvement in LVE as a LAP
  - Few agencies are interested in LVE
- Current language in the draft Amendment #2 states that BAWSCA may participate in whole or in part, in the development of LVE, either as a LAP or through the SFPUC if BAWSCA is no longer a LAP
  - BAWSCA is in conversations with the SFPUC to finalize the specific language

# BAWSCA Interests & SFPUC's Interests in LVE

- BAWSCA's engagement in LVE was driven by Member Agencies' interest in developing supplies independent of the SFPUC to offset RWS drought cutbacks
  - Participation in LVE studies was a key recommended action identified in BAWSCA's Long-Term Reliable Water Supply Strategy
- SFPUC is exploring LVE to meet existing contractual and legal obligations to its Wholesale Customers, including:
  - Increase reliability to meet Level of Service (LOS) goals and limit rationing to no more than 20% system-wide in dry years
  - Provide supply that enables making San Jose and Santa Clara permanent customers.

# BAWSCA Remains Supportive of LVE

- BAWSCA strongly supports LVE and recommends that the SFPUC continue to pursue the water supply and storage benefits from LVE for several reasons
  - Significant State and Federal grant funding to assist in overall project cost reduction
  - Final EIS has been completed and the effects of LVE are well understood
  - Broad support among the LAPs, local stakeholders, and environmental organizations
  - Tremendous amount of momentum behind the project
  - Once completed, LVE will provide new storage and water conveyance facilities within the greater Bay Area region, increasing overall regional reliability for emergency and other purposes

# Staff Recommended Action Reflects Board and Agency Input

- Staff recommends that BAWSCA not sign Multi-Party Agreement Amendment #2
  - In essence, BAWSCA will no longer be a LAP
- Continued SFPUC involvement in LVE will be supported
  - LVE is one of the projects being evaluated by SFPUC in its Alternative Water Supply Planning Initiative
- BAWSCA to work with SFPUC and other LAPs to ensure that BAWSCA may participate in whole or in part, in the development of LVE

# Recommended Action

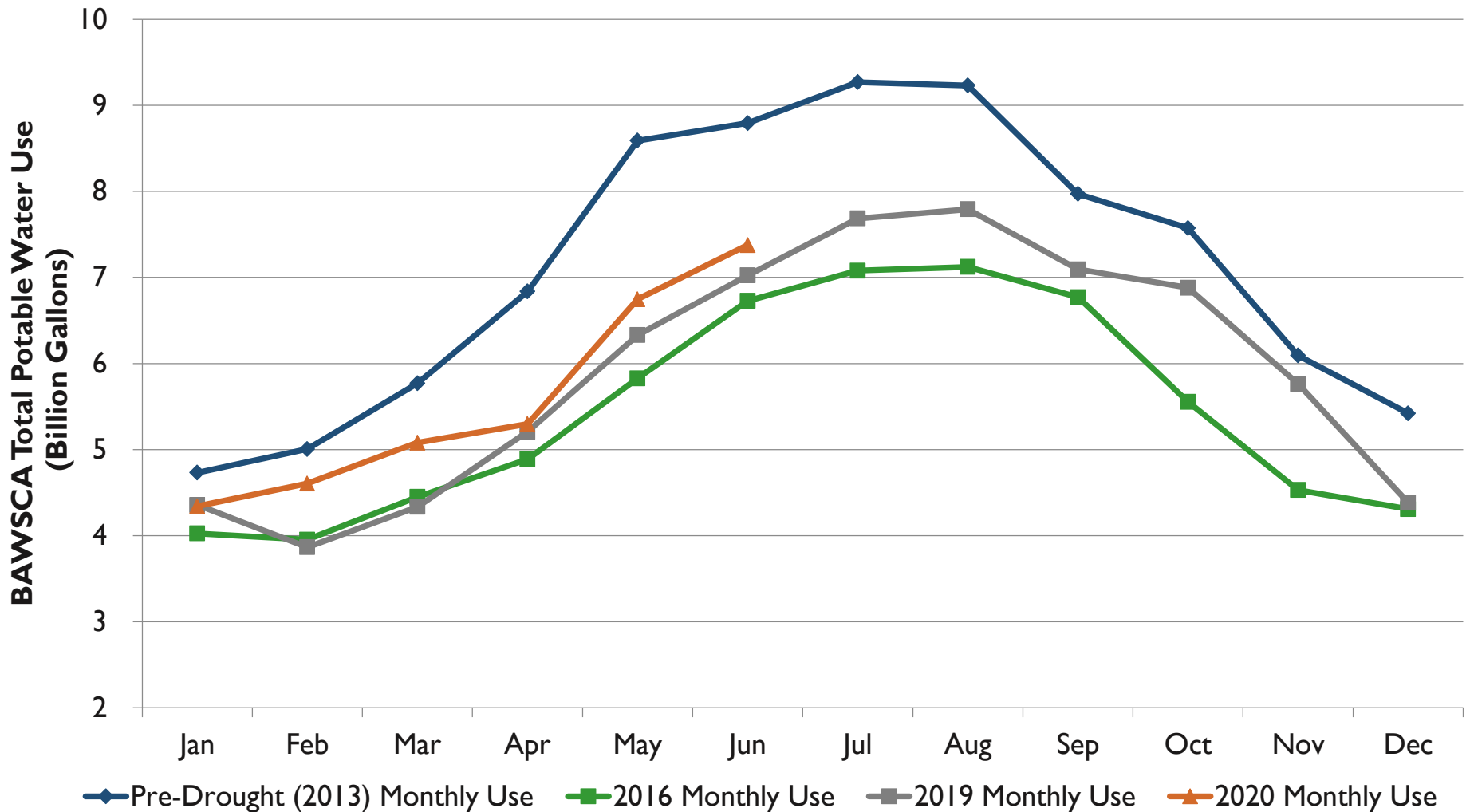
That the Committee recommend the Board of Directors:

- not enter into Amendment #2 to the Multi-Party Cost Share Agreement for LVE Planning,
- strongly urge the SFPUC to remain engaged in LVE as a means to increase water supply reliability and implement its Alternative Water Supply Initiative, which is an update to its 2016 WaterMAP effort, and
- support BAWSCA's continued participation in the development of LVE, to the extent possible, despite no longer being a LAP.



S. Ritchie, 2019

# BAWSCA June 2020 Total Potable Water Use 16% Less Than June 2013



# Bay Delta Plan Update

- Governor Newsom continues to provide critical leadership
- CA Secretaries of Natural Resources and CA EPA remain engaged
- BAWSCA continues coordination with SFPUC and others
- BAWSCA and its member agencies continue to
  - Support Bay-Delta Plan objectives
  - Be committed to working with other stakeholders to protect water quality in the Bay-Delta for humans, fish and other wildlife
  - Support voluntary settlement agreements to resolve this critical issue
- BAWSCA remains focused on a voluntary agreement as best solution to resolve this critical issue

# FERC has Issued FEIS for New Don Pedro

- July 7, 2019 – Final Environmental Impact Statement (FEIS) released
  - Licenses the projects as proposed by Districts with some staff modifications and additional measures
- BAWSCA is reviewing and analyzing FEIS in coordination with SFPUC
  - Economic and environmental impacts to BAWSCA service area
  - The response to BAWSCA, SFPUC and NGOs comments
- Unclear if BAWSCA will submit anything further to FERC at this time

# Board Policy Committee

## Policy Calendar Through October 2020

Meeting Date	Purpose	Issue or Topic
August 2020	D&A D&A D&A	Establishing a Policy Relating to Use of the WSA Balancing Account Consideration of Proposed Use of Balancing Account Los Vaqueros Expansion Project and Potential BAWSCA Participation
October 2020	D&A D&A D&A R	Consideration of Action to Extend Current Tier 2 Drought Plan Annual Review & Consideration of BAWSCA's Statement of Investment Policy Review of Agency Personnel Handbook Review of Regional Demand Study Results
December 2020	D&A D&A	FY 2020-21 Mid-Year Work Plan, Budget, & General Reserve Balance Review Consideration of BAWSCA Bond Surcharges for FY 2021-22
February 2021	R&D R	Presentation of Preliminary FY 2021-22 Work Plan and Budget Review of Water Supply Forecast
April 2021	D&A	Consideration of Proposed FY 2021-22 Work Plan and Budget

Key: R=Report, D = Discussion, S = Study Session, A = Action