

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
January 18, 2007 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:10 p.m.

BAWSCA Chair, Bern Beecham, called the meeting to order and led the flag salute. The General Manager and Secretary, Art Jensen, called the roll. Twenty-four (24) members were present, constituting a quorum. A list of directors present (24) and absent (3) is attached.

- 2. Special Order of Business: Election of Officers:** Chair Beecham called for nominations for the position of Chair of the BAWSCA board. Director Rob Guzetta nominated Director O’Mahony for chair, seconded by Director O’Connell. There being no other nominations, nominations were closed by consensus and Chair Beecham announced Director O’Mahony as the newly elected chair of the board for calendar year 2007 by acclamation.

M/S/C (Guzetta/O’Connell; Unanimous) that Rosalie O’Mahony be elected Chair of the Bay Area Water Supply and Conservation Agency for calendar year 2007 to commence at the adjournment of the meeting at which she was elected.

Chair Beecham called for nominations for the Vice-Chair. Director Fannon nominated Director Kolstad to be elected as Vice-Chair of the board, seconded by Director Wykoff. There being no other nominations, nominations were closed by consensus and Director Beecham announced Director Kolstad as the newly elected Vice-Chair by acclamation.

M/S/C (Fannon/Wykoff; Unanimous) that Patrick Kolstad be elected Vice-Chair of the Bay Area Water Supply and Conservation Agency for calendar year 2007 to commence at adjournment of the meeting at which he was elected

- 3. Comments by the Chair:** There were no comments.

- 4. Board Policy Committee Report:** Committee Chair Rosalie O’Mahony reported the committee’s discussions at its meeting of December 13, 2007. Two new members of the committee, Directors Craig and Fannon were welcomed, although Director Fannon could not attend the meeting. The committee received a report on BAWSCA’s technical team’s assessment of SFPUC’s quarterly progress report on the WSIP. There is continued concern with the SFPUC’s ability to complete the WSIP on schedule, scope and budget. Principal concerns are the inconsistent scope and schedule information. The quarterly report does not reflect the delay in the PEIR. Project schedules and impacts of rising prices of materials and labor are being reviewed by the SFPUC, and a report is due in February.

The committee discussed options the board can consider taking to address BAWSCA's concerns.

The general manager is working with the SFPUC in obtaining information on the timing of the wholesale rate setting for the FY 2007-08, so that agencies can comply with the 45-day notification required by Proposition 218. The Water Education Foundation will conduct a tour of the Hetch Hetchy water system in July 2007, and BAWSCA will make a monetary contribution to sponsor this event. The general manager has been invited to speak during the tour, and members of the board are encouraged to participate.

The committee unanimously voted to recommend the board authorize the general manager to negotiate and execute an agreement with a consultant to implement a new water conservation program. A staff memo is provided in the board packet and the program is being presented to the board as an action item in the agenda.

The general manager reported that a mid-year workplan and budget review shows that planned activities are being accomplished, and that no budget adjustment is necessary.

- 5. General Manager's Report:** General Manager, Art Jensen, made a few announcements before his report. Statements of Economic Interest FPPC Form 700 have been mailed to the members of the board, and are due by April 2, 2007.

The WEF tour of Hetch Hetchy, scheduled for July 11, 12 and 13, 2007, is expected to bring in different perspectives and parties. Directors who have not seen the system are encouraged to participate. A process to reimburse the expense and compensate board members who participate in the tour was discussed by the committee, and is in place. BAWSCA purchased ten tickets to secure space for interested members of the board. Remaining tickets will be made available to interested agency staff members.

San Francisco released a draft Right-of-Way Encroachment Policy, and a hearing is scheduled for January 23, 2007. Copies of the draft policy have been sent to BAWSCA Technical Advisory Committee representatives. Member agencies are encouraged to review how the policy relates to their community and comment directly to San Francisco. Mr. Jensen presented a slide showing a condominium complex built on both sides of San Francisco's right-of-way to demonstrate how communities have grown around San Francisco's pre-existing facilities. Member agencies were encouraged to review the potential impacts the policy might have on local communities, and to work conscientiously and seriously to protect the public as well as help the Water System Improvement Program move forward without delay.

San Francisco's response to BAWSCA's letter of November 8, 2006 about when San Francisco might release a report on how climate change might affect the regional water system is included in the board packet. SFPUC's assessment on the effects of climate change suggests a 7% shift in runoff volume from one season to another. The shift is small compared to the variations year-to-year, and the SFPUC believes that the reservoir system can accommodate the change without impacting normal operations. Also included in the board packet is information

on the Climate Change Summit San Francisco is sponsoring on January 31 and February 1, 2007. Mr. Jensen will be attending the summit.

Mid-year Progress and Budget Review: A mid-year budget review shows activities planned for FY 06-07 being achieved within budget, and activities anticipated for the balance of the year can be accommodated with the budget contingency. No budget adjustments are needed this year.

Water Conservation and Grant Opportunities: BAWSCA submitted four water conservation grant proposals last month for the Residential Washing Machine Rebate Program, High-Efficiency Toilet Rebate Program, Food Steamer Replacement Program, and a Cooling Tower Retrofit Feasibility Study. Funding decisions are expected in the Summer of 2007, and necessary actions to implement programs if grants are approved, will be brought back to the board for authorization. Detailed information on the programs was included in the board packet.

Bay Area Water Stewards: The Bay Area Water Stewards (BAWS) wrote Mr. Jensen a letter regarding BAWSCA's correspondence with San Francisco about the new water agreement. The letter expresses matters BAWS would like to see BAWSCA address in terms of protecting and improving the environment. The letter also states BAWS' strong support for a number of the goals listed in BAWSCA's letter to the SFPUC. The letter is unexpected and is very welcome. BAWSCA looks forward to working with BAWS in discussing their concerns and ideas in more detail.

Water System Improvement Program: Mr. Jensen reported that the quarterly progress report ending September 2006 shows that the percentage of the program's actual completion is very close to the planned completion. 16 projects are ahead of schedule, 17 projects are under review because issues may affect project schedules, and 6 projects are delayed. In reviewing the construction bids for regional and in-city construction contracts that have been awarded to date, BAWSCA found that the total of contract awards is very close to, and is less than the total engineers' estimates. Mr. Jensen reported that this success is very encouraging, given the large difference between estimates and awards observed elsewhere in the State. BAWSCA will work with its technical consultants and San Francisco in obtaining additional information on how that success was achieved.

Mr. Jensen stated that one of the questions the board wants answered is whether the program will get done on scope, on schedule and on budget. BAWSCA will continue to seek clear information that allows BAWSCA to provide the board a comprehensive assessment of the program's progress.

As previously discussed with the Board Policy Committee, and reported by committee chair O'Mahony, BAWSCA's assessment of the quarterly report provides continued concerns with changing project scopes, increasing costs and schedule delays. There are concerns and questions with the lack of mention of the PEIR's seven month delay in quarterly report, and with the difficulties San Francisco has described with linking EIR work by San Francisco City Planning to project schedules. The schedules for the six projects that have been delayed have

not yet been approved by the commission, and therefore have not been reported to State as required by AB 1823.

The report provides a retrospective look at the progress to date, comparing planned progress to actual progress, and showing planned milestones. The report provides limited information on known or anticipated obstacles and the actions that are or that will be taken to deal with the potential impacts to the program's schedule and costs.

The SFPUC is doing a comprehensive review of all the project schedules, examining project scopes, permitting and environmental review requirements, construction time, seasonal and operational restrictions, and possible mitigation of construction cost risks. Mr. Jensen reported that the SFPUC has offered to review the schedule with BAWSCA before it goes to the commission

The SFPUC's goal is to accelerate project completions, and to create flexibility in the overall program schedule. Mr. Jensen stated that the SFPUC anticipates no delay in the current program completion date (2014). The SFPUC expects to complete the schedule review in February, but there is no known date as to when the review with BAWSCA will take place, when it is expected to go before the Commission, and when the Commission might adopt a new schedule. Mr. Jensen stated that those are among the questions previously forwarded to Ms. Leal to answer tonight.

BAWSCA is unable to assure customers that the SFPUC's progress will complete the program on scope, schedule, and within the \$4.3B cost cap. At its previous meeting, the Board Policy Committee considered three sequential steps to increase confidence in San Francisco. First, BAWSCA can ask Mayor Newsom to establish a date for completion of the project schedule review and confirm to BAWSCA that the program will be completed on scope, on schedule and within budget. Second, BAWSCA can inform the media, allies and other stakeholders of its concerns, and third, BAWSCA can take its concerns to the legislators. Mr. Jensen concluded his report and asked for questions and comments from the board.

Director Breault expressed his concern with the statement made by BAWSCA regarding post-disaster water outages on page 3 of their letter. BAWSCA stated that "Contingency plans should be developed with indoor residential use as a first priority, and minimum business use as a second priority." Director Breault suggested BAWSCA get clarification on the meaning of the statement, to avoid causing adverse effects to businesses. He noted that national records show 25% of businesses are unable to re-establish their operation following a disaster because the event was so catastrophic to their facilities. It would be unfortunate to inadvertently cause businesses to close by intentionally restricting their water deliveries during post-disaster water outages.

Mr. Jensen agreed with Director Breault's comments and assured the board that recommendations made in the letter will be given careful consideration and will be discussed and clarified in a meeting with representatives of BAWSCA.

- 6. SFPUC Report** Chair Beecham welcomed Ms. Leal and asked Chair-elect Rosalie O'Mahony to go through the questions that had previously been sent to Ms. Leal for discussion at the meeting.

Chair-elect O'Mahony requested specific and brief answers from Ms. Leal to the following questions:

- Will the WSIP be completed on scope, schedule and budget? Ms. Leal replied, yes.
- Have project contingencies been revised to reflect currently anticipated rates of inflation? Ms. Leal replied, no.
- When will the revised project costs be reviewed by the Commission? In the Spring.
- When will the commission be asked to adopt a revised schedule for the program projects? Ms. Leal stated that she does not believe there is going to be a revised schedule. She explained that currently, the SFPUC does not see a need to revise the schedule.

Mr. Jensen commented that there are six projects identified as delayed in the most recent progress report. If the SFPUC is able to bring those projects back on their original schedules, and if other projects are accelerated to allow some working flexibility in the schedule, then no schedule revisions would be required.

Deputy General Manager, Tony Irons, explained that the purpose of the schedule review is to be pro-active in reviewing all options available so that the SFPUC can be prepared to respond to what might happen in the future that would cause project delays. Mr. Irons stated that if there are schedule revisions, they will make the schedule shorter, and if there are financial revisions, they will be intended to save money.

- 7. Public Comments:** Members of the public and of Citizens Concerned about Chloramines commented on water quality and on chloramine. Heather Dempsey, Program Director for the Tuolumne River Trust expressed concerns with the proposal to increase diversion from the Tuolumne River to meet projected demand increase in the service territory. BAWSCA and its members believe that the negotiation of a new water agreement presents exciting opportunities to address environmental stewardship and promote efficient water use.

8. Consent Calendar:

M/S/C (O'Connell/O'Mahony/Unanimous) that the Minutes of the November 16, 2006 BAWSCA Board meeting be approved, the Monthly Budget Status Report as of November 30th, the Quarterly Investment Report – Period ending November 30th 2006, and the Directors' Reimbursement Report – Period ending December 31, 2006 be received and filed.

9. Action Calendar:

- A) Commercial Industrial Institutional Washing Machine Rebate Program:** Nicole Sandkulla reported that the Commercial Industrial Institutional (CII) Washing Machine Rebate Program will be targeted at coin operated washing machines. The program is an opportunity to partner with an independent contractor and provide customers with a

combined water and electric rebate using the substantial funding from a grant awarded by the California Public Utilities Commission. The program will operate similar to the current residential Washing Machine Rebate Program. It will be administered by BAWSCA on a subscription basis to its participating member agencies that will pay for the cost of the program. The contractor team will market the program and process all rebates. The program has no fiscal impact to BAWSCA.

Water savings from changing to a newer, more efficient machine would be about 25,000 gallons per year, as well as 55 therms of gas per year, with a potential for a \$130 - \$200 savings per year in utility bill for the customer.

M/S/C (O'Connell/O'Mahony/Unanimous) that the board authorize BAWSCA general manager to negotiate and execute an agreement with UCONS to implement a Commercial Institutional Industrial Washing Machine Rebate Program, subject to final approval by the general manager and legal counsel; and offer participation in the program to interested BAWSCA member agencies.

10. Directors' Discussion: Comments, Questions and Agenda Requests: Director Seidel suggested the distribution of directors' biographies since there are many new members of the board. Director Beecham concurred and suggested considerations of what may be appropriate to get members of the board acquainted. Chair-elect O'Mahony thanked Director Beecham for his extraordinary leadership and commitment to BAWSCA.

11. Adjournment. The meeting was adjourned at 8:30pm

12. Date, Time and Location of Next Meeting: The next meeting is scheduled for March 15, 2006 at 7:00 p.m. in the Wind Room, Foster City Community Center.

Respectfully submitted,

Arthur R. Jensen, General Manager and Secretary

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
January 18, 2007**

Attendance Roster

Present:

Bern Beecham	City of Palo Alto
Randy Breault	Guadalupe Valley Water District
Cyril Bologoff	City of Brisbane
Richard Claire	City of Redwood City
Robert Craig	Westborough Water District
John Fannon	Town of Hillsborough
Kelly Fergusson	City of Menlo Park
Mike Goff	Stanford University
Rob Guzzetta	California Water Service Company
Marc Hershman	City of Millbrae
Patrick Kolstad	City of Santa Clara
Robert Livengood	City of Milpitas
Chris Mickelsen	Coastside County Water District
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Chris Reynolds	Skyline County Water District
Tim Risch	City of Sunnyvale
Dan Seidel	Purissima Hills Water District
Michael Sweeney	City of Hayward
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
David Woods	City of East Palo Alto
Rick Wykoff	City of Foster City

Absent:

Mike Kasperzak	City of Mountain View
Chuck Reed	City of San Jose
Adrienne Tissier	City of Daly City