

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
May 17, 2007 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 p.m.

BAWSCA Chair, Rosalie O’Mahony, called the meeting to order and led the flag salute. The General Manager and Secretary, Art Jensen, called the roll. Twenty-one (21) members were present, constituting a quorum. A list of directors present (21) and absent (6) is attached

2. Comments by the Chair: Chair O’Mahony welcomed the members of the board, and noted the agency’s continuing focus on the San Francisco Public Utilities Commission’s (SFPUC) Water System Improvement Program (WSIP), a new long-term water agreement between the BAWSCA member agencies and San Francisco, and water conservation programs.

The agenda includes guest speakers from the San Francisco Planning department and the SFPUC to discuss the draft PEIR, WSIP, and current water conditions. Members of the board were encouraged to put forth questions they may have about important subjects. Also included in the agenda is the approval of the proposed budget and work plan for fiscal year 2007-08.

Chair O’Mahony announced that the terms of former chair Bern Beecham and former vice-chair Mike Kasperzak on the BAWSCA board end June 30, 2007. She appreciated their long leadership and active involvement.

Chair O’Mahony also announced the passing of former assemblymember Lou Papan and recognized his legislative role in the formation of BAWSCA and his work on behalf of the region’s water customers.

3. Board Policy Committee Report: Committee Vice Chair Bob Craig provided a report of the Board Policy Committee meeting held on April 11, 2007. The committee discussed the proposed work plan and budget for fiscal year 2007-08 and recommends that the board adopt the proposed budget with the funding plan that uses \$391,000 from the BAWSCA reserve and maintains the current level of assessments. The committee also reviewed and discussed the professional services contracts for FY 2007-08. The contracts include legal, engineering, financial, strategic and water conservation services that provide BAWSCA the resources to achieve its goals. The committee recommends board approval of nine professional service contracts that will be presented to the board. The committee also recommends board authorization for the general manager to negotiate and implement a second 3-year contract with C.G Uhlenberg for audit services.

4. General Manager's Report:

Terms of Board Members: A list of directors with terms ending June 30, 2007 was included in the agenda packet. Mr. Jensen reported that several directors have been reappointed including the Chair and Vice-Chair. New appointments as of May 16th include councilmember of Sunnyvale, Ron Swegles, and councilmember of Palo Alto, Larry Klein. Other appointments will follow during the month of May and through June. Mr. Jensen will meet with each newly appointed director to provide a briefing of the organization's activities.

Water Education Foundation - Tour of Hetch Hetchy System: Mr. Jensen announced that the tour currently has a strong participation from the members of the BAWSCA board, including some newly appointed directors, and staff of the member agencies. Mr. Jensen appreciates everyone's involvement and looks forward to the tour in July.

Local System Seismic Upgrades: Mr. Jensen noted the February 13, 2007 letter written by the Joint Legislative Audit Committee (JLAC) to Susan Leal and Art Jensen encouraging BAWSCA and San Francisco to ensure that local retail water systems can protect public health and safety following a catastrophic event. Art reported that BAWSCA agencies have been assessing, implementing plans as well as making plans for future upgrades to its local systems since 2000 to protect public health and safety and secure water delivery in the event of an emergency. Art stated that the letter is addressed to him, but it is important that the letter reaches the agencies' governing body because it is the agencies that have the authority to address the recommendations. Board members were encouraged to be aware of the letter and of the activities their agencies are doing to make sure that the recommendations made by the California Seismic Safety Commission (CSSC) and supported by JLAC, are addressed. BAWSCA's role in this effort will remain facilitative as discussed with both the Technical Advisory Committee and the Board Policy Committee because the authority to coordinate and manage the effort lies with the agencies.

Report on Economic Impacts of Drought Shortages: Mr. Jensen reported that the economic study of water shortage conducted jointly by Public Financial Management (PFM) and Bay Area Economic Forum (BAEF) was distributed to the commissioners of the SFPUC for discussion at its meeting on May 8, 2007. The Commission was unable to hear the presentation of the report because of several time-intensive agenda items. A copy of the report and Mr. Jensen's comment letter to commission president Ryan Brooks were included in the board packet. Member agencies may comment on the report directly to the SFPUC or BAWSCA could present the member agencies' comments collectively.

Director Beecham stated that what he recalls the work by PFM and BAEF was to be on the cost of the impact of drought. He has gone through the report and stated that the report is not what he had expected and does very little to advance planning of how the economic impacts of drought can be addressed. A cost of \$5 billion is provided at the end of the report with very little documentation of how the number was derived.

Director Beecham also noted that there was a two percent response to a request for information sent out to a thousand companies. Instead of a reassessment of the survey, the analysis

proceeded and the report was written using old information. The report does not suggest a collaborative effort by San Francisco in planning for the impacts of drought.

Mr. Jensen confirmed Chair O'Mahony's inquiry that the cost for the preparation for the report is to be shared between the SFPUC and BAWSCA. Mr. Jensen worked with Mr. Irons on the scope of work, provided the consultants with connections to member agencies and access to data, and reviewed the draft report once it was available. Mr. Jensen stated that if the report were to be re-done, BAWSCA would suggest a different study design and methodology. Further information on the report will be provided to the board when the document has been presented to the commissioners of the SFPUC.

Report on Pending Water Shortage in Hetch Hetchy System: Mr. Jensen reported that Michael Carlin will provide a report to the board on the current water supply conditions. The reservoirs are expected to fill up during the summer but there will be no snow pack that normally provides a significant portion of the system's water storage. The Calaveras Reservoir today is being operated only up to one-third of its capacity due to seismic concerns, and a series of years similar to current dry conditions would put the system in jeopardy and would require water rationing.

The SFPUC has not made a formal announcement for water shortage, but has requested a voluntary 10 percent water use reduction. Mr. Jensen stated that it is prudent to cut back at this time. A savings of even only 10 percent represents a significant amount of water if current dry conditions continue for the next three years. The system is susceptible to droughts and system wide shortages of up to 30 percent can occur with Calaveras Reservoir limited to only one-third of its capacity.

Mr. Jensen reported that the agencies' conservation efforts demonstrate remarkable results with current statistics showing residential use per person being 15 percent lower than it was in 1987, and 23 percent less than before 1976.

One action BAWSCA, its agencies, and San Francisco have taken in preparation for future droughts is the development of the Interim Water Shortage Allocation Plan (IWSAP). Two agreements make up the IWSAP. One defines how water will be allocated during droughts between the SFPUC and BAWSCA agencies as a group. The other agreement defines how water will be allocated between the BAWSCA agencies. These two agreements were adopted by all agencies by June of 2001. These agreements expire in 2009 with the Master Contract. The IWSAP is activated when San Francisco declares a water shortage emergency.

The IWSAP was created to provide a predictable allocation of supply for planning purposes. It provides for the basic needs of customers, and has consistent, predetermined rules. The plan offers incentives to conserve water at all times, encourages the development and management of alternative supplies, and promotes agencies to stay within contractual supply allocations. The plan avoids penalizing agencies for conserving water in normal years.

Many agencies have distributed materials and information to its customers and the public regarding water use reduction. Susan Leal met with BAWSCA member agencies in a 2nd

Suburban Advisory Group meeting to coordinate the flow of information regarding the current water supply conditions. BAWSCA is working with San Francisco and other Bay Area water agencies in developing a regional campaign. The target message is to continue ongoing conservation efforts, focus on easy fixes with lasting effects, and promote actions with permanent savings.

Mr. Jensen announced that the development of the water efficient landscaping CD which started last year, is now complete and available for distribution to customers in the service area. Mr. Jensen demonstrated how the software works, and presented how users can obtain water efficient landscaping information by county or hydrologic area. The software provides illustrative photos of landscapes with plant choices that are linked to detailed information for user reference. Users can create a list of the plants they choose based on common or proper names, a summary of how much water is needed, and other plant characteristics. Landscape choices include front and back yards, entryways and walkways. The software also provides users a link to the BAWSCA member agencies' websites for additional water conservation information. The software is user friendly and promotes attractive, water-efficient landscaping.

The cost of the CD to BAWSCA agencies is currently \$5 a piece. A volume discount that lowers the unit price to \$3 is possible if the bulk order goes over 5,000 CD's.

5. SFPUC Report:

San Francisco City Planning – Program Environmental Impact Report (PEIR): Diana Sokolove, Environmental Planner for the Major Environmental Analysis Division under the San Francisco Planning Department provided a report on what the PEIR is about, what the report contains, and the timeline for public review and certification. Ms. Sokolove introduced members of her team, Paul Maltzer, Environmental Review Officer for MEA, and Kate Stacy from the City Attorney's office.

Ms. Sokolove provided an overview of the California Environmental Quality Act (CEQA) which is a statute that requires state and local agencies to identify and address environmental impacts of proposed actions and projects. The objective of CEQA is to disclose and mitigate environmental effects. MEA is the lead agency that implements CEQA for SFPUC projects. As the lead agency, MEA is required to prepare a Program EIR when individual, phased projects comprise a larger undertaking with significant environmental effects. An advantage of a PEIR is that it ensures broad consideration of the cumulative effects of a series of related projects and allows for thorough consideration of alternatives and mitigation. The PEIR for the WSIP will evaluate the systemwide environmental effects of the facility improvement projects that are part of the WSIP. It is going to evaluate the growth inducement potential of the program and the cumulative effects. The PEIR also considers the effects of SFPUC's proposed water supply option which involves detailed project level evaluation of the effects, which no other individual project level EIR will consider. Ms. Sokolove stated that the PEIR being developed is going to lay the foundation for future environmental review of facility improvement projects. This process involves detailed analysis of the individual components of a complex, high profile, and controversial program.

The MEA is also developing project level environmental impact reports on individual facility improvement projects parallel with the PEIR. A tremendous amount of coordination is required to ensure continuity with the documents.

The goal of MEA is to develop, produce, and disclose a high quality and legally defensible PEIR. MEA is making sure that the program descriptions and environmental impacts are accurate, and that mitigation measures included in the document are feasible.

The analysis of future water supply and system operation through 2030 requires an intense level of investigation, thought and deliberation. It is a complex and iterative process so that program and impact descriptions are accurate and mitigation measures are feasible before the document is released for public review. Unforeseen issues have come up that required continuous iteration of the analyses. Optimistic dates for the release of the document have been provided. Ms. Sokolove stated that the bottom line is that the document needs to be accurate, high quality and legally defensible.

The draft PEIR will be released in June 2007. There will be a 90-day public review period from July through September 2007. Responses to comments will be prepared from October through April 2008. MEA hopes to certify the document in May 2008, and that contract awards for building the projects under the PEIR can be approved by the SFPUC on the same month. Depending on the intensity of the comments received, Ms. Sokolove stated confidence that the dates will not be further delayed.

In response to questions from board members, Ms. Sokolove explained that San Francisco has governmental immunity from local planning and building laws of local cities. San Francisco is exempted from local approval processes in case cities continue to disapprove of the PEIR even after its certification. There is a 20-day period after the document's certification to appeal to the San Francisco Board of Supervisors. CEQA mandates a 45-day review period, however for extremely complex documents, extensions are considered and the 90-day period is what has been approved by the San Francisco Planning Department.

Under CEQA, MEA has determined some projects such as the Alameda Syphons and New Crystal Springs Bypass Tunnel, that are vulnerable parts of the system. They have been identified as independent projects requiring their own environmental documents, and are not tied with the PEIR. Those projects are being reviewed concurrently with the overall program, and their environmental documents will be released soon so they can move ahead.

Ms. Sokolove emphasized that while there have been delays in the release of the PEIR, the MEA and she will continue to hold the document back if there are issues that require further review, deliberation, and consideration. She stated that the PEIR will not be published until it is right and is legally defensible.

Water System Improvement Program (WSIP): Julie Labonte, the SFPUC's Program Director of WSIP, presented the status and progress of the WSIP. Ms Labonte stated the overall program mission which she and her management team considers when making decisions, is to deliver the WSIP in the earliest possible timeline with the commitment of a robust and dependable facility.

Ms. Labonte reported that the program is in transition to design, with its planning phase being 80 percent complete. Based on expenditures, the program is 6.7 percent complete compared to

the 6.9 percent planned completion. Presenting an earned value curve, Ms. Labonte reported that the program is on budget and on schedule.

Several program accomplishments include the approval of \$218 million supplemental appropriation by the San Francisco Board of Supervisors in early 2007, full implementation of a quality management program that is showing very positive results, development of program-wide seismic and hydraulic design criteria, and implementation of value engineering. There have been contracting improvements made to attract large and highly qualified contractors. A pre-qualification program has been developed, and a Dispute Review Board has been established. The right-of-way encroachment removal efforts have made significant progress. Meetings with elected officials and department heads in local cities have been held in the last six months as part of a regional outreach effort.

Ms. Labonte went over the details of current priorities which include quality management, environmental permitting and mitigation processes, system shutdown planning, the right-of-way management program, and construction management program. She said the SFPUC is maintaining balance between new information and the constraints of technical, legal, environmental, political and administrative issues with the program scope, schedule and budget. Current analyses include a risk assessment, schedule realignment, and budget realignment that will allow accurate performance measures and determine whether mid-course adjustments are needed.

Ms. Labonte concluded her presentation with a positive note about the construction of new valves on two major pipelines that cross the Hayward earthquake fault in Fremont. The project is 70 percent completed, despite public concerns with its proximity to residences, major shutdown periods, and significant delays. The project is forecasted to be completed 5 months ahead of schedule.

Ms. Labonte responded to questions from board members saying that the SFPUC will develop a system shutdown schedule and coordinate with each agency to minimize operational risks during system shutdowns. The schedule and budget realignment analyses are expected to be completed by mid or late June. The risk assessment is independent of the realignment analyses and is being completed by Parsons Engineering. Ms. Labonte hopes to provide the board updated information at its next meeting.

Ms. Labonte informed board members that first-class construction managing consultants will be brought on board prior to the heavy construction period to establish systems that are consistent throughout the program. She said future delays of the PEIR can potentially impact some projects, and therefore, it is critical to stay on top of the PEIR. Ms. Labonte explained that construction bids are very close to the engineers' estimates from a few years back despite the current inflation because cost estimate reviews were done, the SFPUC has been able to attract multiple bids, and because the projects are fairly small in size. Notification to the state of project delays, as required under AB 1823, will be done when the commission officially approves a schedule change in the program. The need for a schedule change will be determined when the risk assessment and schedule realignment analyses are completed.

Current Water Supply Conditions: Michael Carlin, Assistant General Manager of Water Enterprise reported that precipitation in 2006-2007 is low compared to previous years. There is

not a lot of alarm from one dry year, but multiple dry years become critical. The SFPUC calls for a reduction of 10 percent when storage dips below 1.150 million acre feet. The expectation for the 2007 water year is that Hetch Hetchy, Cherry and Eleanor Reservoirs will fill, and the water bank in New Don Pedro Reservoir will be depleted by about 200,000 acre feet. Based on historical and current records, the probability of filling the system after the 2008 water year is between 50 percent – 55 percent.

Director Beecham restated his concerns with the report on economic impact of drought and its lack of information as to how to address the \$5 billion cost to the economy. Director Beecham asked Mr. Carlin to forward his concern to the SFPUC.

6. Public Comments: Members of the public commented on water quality and the use of chloramine.

Heather Dempsey of the Tuolumne River Trust commented on additional conservation potential and recycling efficiencies that can be pursued to keep water demand flat.

7. Consent Calendar:

M/S/C (Beecham/Livengood/Unanimous) that the Minutes of the March 15, 2007 BAWSCA Board meeting be approved, that the Monthly Budget Status Report Quarterly Investment Report, and Directors' Reimbursement Report be received and filed.

8. Action Calendar:

A) FY 2007-08 results to be achieved and proposed budget: Mr. Jensen went over what the proposed work plan and budget for FY 2007-08 included. The proposed budget includes the COLA adjustments for all positions except for the General Manager, and an adjustment to the top-step salary for the Senior Water Resources position. The preliminary budget for BAWUA and RFA are also included.

In response to the questions board member asked at the last meeting, the breakdown of consultant costs and projected year-end expense were provided in the staff report. The value of Hetch Hetchy tours was considered, and because of the current workload with the WSIP, PEIR, and new contract negotiation, it will not be included in the work plan. The cost for Strategic Counsel was reviewed as requested by the board, and the original recommendation remains.

The projection of unspent funds at year-end reported at the March board meeting was \$208,000. Because no further work is anticipated for the review of the PEIR, the new estimate for unspent funds is \$405,000. This amount will go into the agency's general reserve.

The proposed budget of \$2.5 million and work plan remains as presented in March. The activities not included in the budget now specifically include no effort toward the purchase of dry year supplies. If the need to pursue actions for any of these activities arises during the year, the budget will be realigned and presented to BPC for review, and the board for approval.

Mr. Jensen presented two funding options, and recommends the alternative that maintains current agency assessments, and uses \$391,000 from BAWSCA's general reserve.

M/S/C (Wykoff/Risch/Unanimous) That the board approve the proposed FY 07-08 work plan, the proposed budget of \$2,508,967, and the use of \$391,000 from the general reserve to fund a portion of the budget without increasing agency assessments.

B) Approval of Professional Services Contracts for FY 2007-08: The members of the board agreed to approve the nine proposed professional service contracts as a packet.

M/S/C (Wykoff/Goff/Unanimous) that the board of directors approve the nine contracts for legal, engineering, financial, strategic and water conservation services.

C) Authorization for the General Manager to renew a Three year Professional Services Contract for Auditing Services with C.G. Uhlenburg: Mr. Jensen explained that the cost of the current auditor is reasonable and the established relationship is beneficial for the agency. It is recommended that the contract with C.G. Uhlenberg be approved for three years.

M/S/C (Vella/Fergusson/One Abstention) That the board authorize the general manager to negotiate and execute a three- year contract with C.G. Uhlenberg for audit services.

9. Directors' Discussion: Comments, Questions and Agenda Requests: Director Hershman requested that the meeting be adjourned in memory of former Assemblymember Lou Papan. Former Assemblymember Papan's legislation was instrumental in the establishment of the BAWSCA and its board.

10. Adjournment. The meeting was adjourned at 9:25 with a moment of silence in memory of former Assemblymember Lou Papan.

M/S/C (Livengood/Vella/Unanimous) that the meeting be adjourned.

11. Date, Time and Location of Next Meeting: The next meeting is scheduled for July 19, 2007 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
May 17, 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
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
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

John Fannon	Town of Hillsborough
Mike Kasperzak	City of Mountain View
Chuck Reed	City of San Jose
Michael Sweeney	City of Hayward
Adrienne Tissier	City of Daly City
David Woods	City of East Palo Alto