

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
March 15, 2007 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:05 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 (20) members were present, constituting a quorum. A list of directors present (20) and absent (7) is attached

- 2. Comments by the Chair:** Chair O’Mahony welcomed the members of the board and stated that she looks forward to working with the board of directors in focusing on the three main objectives of BAWSCA; follow the progress of the SFPUC’s Water System Improvement Program; negotiate a new water agreement with San Francisco; and continue a responsible conservation program to preserve water, extend the water system’s capacity and protect the environment. She looks forward to a productive year, building from the achievements acquired by the strong leadership of BAWSCA’s former chairs, Ira Ruskin and Bern Beecham.

John Fannon, from the Town of Hillsborough, was announced as the new chair of the Board Policy Committee, and Robert Craig from Westborough Water District, as the vice-chair.

Chair O’Mahony reported that Ms. Susan Leal could not attend the board meeting due to an out-of-town engagement. A letter received from her states that the SFPUC looks forward to a continued dialogue with BAWSCA and the general manager.

- 3. Board Policy Committee Report:** Chair O’Mahony asked the general manager to provide the report from the Board Policy Committee meeting on behalf of the committee chair and vice-chair who could not be present. Mr. Jensen reported that the committee discussed and provided comments on the preliminary budget for FY 2007-08, and the items included on the board agenda. The committee’s discussions are reflected in the summary report included in the agenda packet.

4. General Manager’s Report:

Water System Improvement Program - Status: Mr. Jensen reported that the SFPUC’s quarterly progress report for period ending December 31, 2006 is improved. Schedule errors have been corrected, and the report has improved correspondence between expected and actual achievements. Actual progress is at 5.8 percent vs. the planned progress of 6.0 percent.

BAWSCA's assessment of the progress examines the customers' interests, focuses on the customers' questions and concerns, and notes achievements and the presence or absence of problems. BAWSCA directors have expressed concerns with whether the WSIP will be completed within scope, schedule and budget. BAWSCA's review of the most current progress report examines the program's status and trajectory relative to the project scopes, schedules and costs, and looks at how potential obstacles are being addressed.

Currently, project scopes are consistent with the levels of service goals, and have not been narrowed down to stay within schedule and budget. There are no known problems evident at this time that would prevent projects from staying within scope. Projects are on schedule with the exception of the Crystal Springs Bypass Tunnel, which San Francisco has determined to need in preparation of a full Environmental Impact Report (EIR). The 16-month delay of the Crystal Springs Bypass Tunnel cannot be recovered, and it is unknown whether the delay will affect other projects. It is also unknown when the delay will be reported to the State in accordance with AB 1823.

The release of the draft Program Environmental Impact Report (PEIR) has been moved to March or April. The SFPUC states that other project schedules will not be affected by the delayed release of the draft PEIR.

The SFPUC is working with its consultants in conducting a comprehensive schedule review and project risk assessment as a prudent approach to anticipate potential problems and build flexibility into project and program schedules. The schedule review is expected to be completed in March or April, and the first phase of the risk assessment is expected in May. BAWSCA will review the reports when they become available.

The costs for work being completed are within budget. The sufficiency of project contingencies for design and construction is not transparent in the progress report, but SFPUC project managers report that remaining amounts are sufficient. Construction bids are matching engineers' estimates, and the cost escalation allowance, which will be reviewed during the risk assessment, appears adequate from BAWSCA's independent review.

Comments and concerns expressed by BAWSCA directors, input received from BAWSCA's technical consulting team, and information gathered from the quarterly progress report were taken into account in assessing the SFPUC's trajectory for program completion.

Questions examined include: will environmental work stay on schedule, will right-of-way (ROW) issues delay projects, how does SFPUC address quality control, and is the SFPUC anticipating problems and taking appropriate action? Mr. Jensen reported that the SFPUC is working with the City Planning Department on an arrangement that will provide the SFPUC more direct control over the work involved with the project EIRs. Detailed environmental work for each project is now included in the quarterly progress report schedules. A revised ROW policy has been adopted by the Commission, and ROW activities are underway, including community outreach along project corridors. To address quality control, an elaborate quality assurance program has been put in place to help identify errors and omissions that can afflict public works projects.

Will staff and management resources be sufficient? Mr. Jensen reported that the SFPUC is working to ensure that there are sufficient staff and management resources now, and during the steep construction period. Efforts include negotiation of a project labor agreement, outreach to the contracting community, revising contracting procedures, bundling projects to attract competitive bids, and beginning the process to obtain future construction management support. Mr. Jensen stated that the SFPUC has made institutionalized changes which provide some assurance that progress will not stop in the event there are changes in leadership.

The state legislation which requires regular reports on the progress, changes and delays to the program is another way that oversight and transparency has been institutionalized. San Francisco's future leaders will be very well aware that there is a larger community watching over the progress of the WSIP.

Mr. Jensen asked board members to articulate other issues and concerns that have not been addressed in this review so that those issues and concerns can be investigated and reported on in the future. Members of the board asked for more information about how San Francisco managed to achieve such close correspondence between engineers' estimates and construction bids despite increasing construction costs. Directors asked for an explanation for how the delay of the PEIR does not impact the overall program schedule and costs. They also asked for more information on how cost escalation is taken into consideration in project cost estimates. A director asked for how changes in the project priorities are adjusted and whether the public could receive more direct measures of progress, such as actual miles of pipe constructed and the amounts of concrete and steel installed. Mr. Jensen said he would pursue these questions. He said he thought the comprehensive schedule review and risk assessment might address some of the concerns expressed by the directors.

Joint Legislative Audit Committee (JLAC): The board was provided a copy of a letter jointly addressed to Mr. Jensen and Ms. Susan Leal from the Joint Legislative Audit Committee (JLAC) of the State Assembly and Senate. In accordance with AB 1823, JLAC is one of three state agencies that provide oversight to the WSIP. The letter supports the written recommendations of the California Seismic Safety Commission (CSSC) of the "SFPUC's Changes to the Water System Improvement Program and Response to AB 1823." One recommendation made by the CSSC relates not to the San Francisco regional water distribution system, but to the local retail water distribution systems operated by the SFPUC, in San Francisco, and by the BAWSCA agencies. In that recommendation the CSSC asks that the agencies take the steps necessary to ensure that local water distribution systems are reliable following a seismic event and able to protect public health and safety. As previously reported to the board, the Technical Advisory Committee members have discussed how the local agencies have been addressing seismic upgrades and local system reliability. The JLAC letter states that the committee may follow up on how CSSC's recommendations are being addressed.

Pending State Legislation – AB 390 (Ruskin): Two pending items of legislation are AB 390 (Ruskin) and AB 559 (Ruskin). AB 390 removes the reference to the Los Trancos County Water District from AB1823. Last year, following the transfer of the Los Trancos operations to Cal Water, similar legislation removed Los Trancos from BAWSCA and the Regional Financing Authority. AB 550 relates to drinking water quality. BAWSCA has no position on AB 550 at this time. Developments on the pending legislation will be reported to the board

5. **SFPUC Report:** Ms. Leal was unable to attend the meeting due to an out-of town engagement.

6. **Public Comments:** Linda Corwin, Pacifica resident, commented on water quality. Wynn Greich, Union City resident, also commented on water quality.

7. **Reports:**

Preliminary Budget and Work Plan for FY 2007-08: The preliminary budget for FY 2007-08 was presented to the board. Mr. Jensen reported that a mid-year budget review was completed, and minor reallocations of funds were made, but activities for the year will be completed within budget. Unspent budget funds will be deposited to the organizations reserve, in accordance with the agency's policies.

The preliminary budget for staff, consultant and operating expenses for FY 2007-08 is \$2.5 million or 9.5 percent higher than the current year's budget.

The results to be achieved and activities not included in the preliminary budget were presented to the board. Mr. Jensen explained that if unanticipated activities significant to BAWSCA come up, options available to BAWSCA are to reallocate efforts or use BAWSCA reserve funds.

The budget increase will provide resources for negotiating a new water agreement with San Francisco and matching funds for a potential grant-supported study of cooling tower water use efficiency. Mr. Jensen pointed out that the budget for legal services supports administration of the existing master contract and negotiation of a new water agreement. This proportion of the legal services budget also supports the financial and technical consultants who support development of the new water agreement. The budget for engineering support reflects the work associated with the WSIP and oversight of reliability. It also reflects conservation efforts, administration of the current master water contract, development of a regional water management plan, and the annual survey. The budget includes support for the RFA and BAWSCA's predecessor organization, Bay Area Water Users Association (BAWUA). BAWUA is included in a San Francisco statute that requires it to appoint a representative to the San Francisco Public Utilities Commission Revenue Bond Oversight Committee.

BAWSCA sources of revenue are assessments from each member agency, the general reserve and reimbursements for water conservation programs. Mr. Jensen presented two alternatives to fund the budget. The first alternative maintains the current level of assessments and a transfer from the general reserve. That alternative would maintain a reserve equivalent to 22 percent of the operating budget. BAWSCA's budgeting guideline for the general reserve is 25 percent of the operating budget. A second alternative increases agency assessments by 8.2 percent, and uses an amount from the general reserve that maintains a balance equivalent to 29 percent of the operating budget. Mr. Jensen recommends the first alternative.

In discussing the workplan, Director Fergusson asked about efforts needed to address the proposal to restore Hetch Hetchy. Mr. Jensen stated that BAWSCA will continue to track and respond to the issue as needed, but there is no need for specific funds to be allocated for that purpose. Director Weed commented that providing tours for the Hetch Hetchy system is an important element of BAWSCA's role and function, not just as an oversight of the system, but

also to be in sync with San Francisco. Additional information was requested for the next meeting including a consultant cost breakdown.

Director Beecham suggested a review of Strategic Counsel's scope to see if the current level of support is needed. Mr. Jensen said that he will review the scope of work. He also noted that Strategic Counsel's current billing rate was voluntarily reduced and has been unchanged since 2003. Consultant rates are reviewed every year to see if rates need adjustments. Mr. Jensen stated that the contract for Strategic Counsel includes a rate change of less than six percent and an increase in hours, resulting in a contract not to exceed amount of \$150,000. Previous contracts for strategic counsel have been for an amount not to exceed \$120,000.

8. Consent Calendar:

M/S/C (Craig/Beecham/Unanimous) that the Minutes of the January 18, 2007 BAWSCA Board meeting be approved.

M/S/C (Beecham/Vella/Unanimous) that the Monthly Budget Status Report as of January 31, 2007 be received and filed.

M/S/C (Fergusson/O'Connell/Unanimous) that the Quarterly Investment Report for Period ending January 31, 2007 be received and filed.

9. Action Calendar:

A) Improved Administration of Water Conservation Programs: Ms. Sandkulla presented a proposal to automate the administration of conservation programs through the development of a conservation program database system. Currently, administration of conservation program reimbursements is done manually. Accounting, paperwork processing, and spreadsheet maintenance are done separately for each program. The development of the system will allow a secure database that will store all program information and automate the manual steps involved in administering the programs.

The database system will be developed by the City of Redwood City based on a system that is already in place and has a proven record of successful implementation. The system will be developed for the Direct Install High Efficiency Toilet Program for a one-time development cost of \$21,250. A website hosting and data backup service fee of \$50 will be charged per month. This expenditure was incorporated into the mid-year budget review and in the latest projected expenditures for FY 06-07.

The goal of developing the database system is to improve the efficiency of administering conservation programs. The system can be modified and expanded to administer other programs in the future. A question that was asked at the board policy committee meeting was the buy back period of the system, and that is four years.

M/S/C (Hershman/Kasperzak/Unanimous) that the board authorize the general manager to negotiate and execute an agreement with the City of Redwood City to develop and implement a Conservation Program Database System designed to administer water conservation programs.

B) Professional Services Contract with Hilton Farnkopf and Hobson: Mr. Jensen reported that the SFPUC made some organizational changes to improve and more accurately allocate labor charges for the Hetch Hetchy assessment. These changes can have a significant impact on the reallocation of costs from San Francisco's power customers to its retail and wholesale water customers. One of the principals for Hilton Farnkopf and Hobson HFH, John Farnkopf, was directly involved with the negotiation and the administration of the existing contract, before staff was hired under BAWUA. Mr. Farnkopf's professional services under contract with HFH will verify that the changes are consistent with the master contract.

M/S/C (Risch/O'Connell/Unanimous) that the board authorize the general manager to negotiate and execute an agreement between BAWSCA and Hilton, Farnkopf and Hobson, subject to legal counsel's final review, for a not-to-exceed amount of \$25,000; and fund the study using \$25,000 from the FY 2006-07 budgeted contingency.

10. Directors' Discussion: Comments, Questions and Agenda Requests: Board members were reminded of the Water Education Foundation's tour of Hetch Hetchy on July 11, 12 and 13. Slots are available for directors who are interested to participate.

11. Adjournment.

12. Date, Time and Location of Next Meeting: The next meeting is scheduled for May 17, 2007 at 7:00 p.m. in the Wind Room, Foster City Community Center.

Respectfully submitted,

Arthur R. Jensen, General Manager and Secretary

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
March 15, 2007**

Attendance Roster

Present:

Bern Beecham	City of Palo Alto
Cyril Bologoff	City of Brisbane
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
Mike Kasperzak	City of Mountain View
Patrick Kolstad	City of Santa Clara
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
Adrienne Tissier	City of Daly City
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:

Randy Breault	Guadalupe Valley Water District
Richard Claire	City of Redwood City
John Fannon	Town of Hillsborough
Robert Livengood	City of Milpitas
Chris Mickelsen	Coastside County Water District
Chuck Reed	City of San Jose
Michael Sweeney	City of Hayward