

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING**

**March 19, 2009 – 7 p.m.  
Foster City Community Building, Foster City CA**

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| <b>MINUTES</b> |
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**1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 pm**

BAWSCA Chair, John Fannon, called the meeting to order and led the salute of the flag. Art Jensen, called the roll. Twenty-two (22) members of the board were present, constituting a quorum. A list of directors present (22) and absent (5) is attached.

**2. Comments by the Chair:** As the newly elected Chair of the BAWSCA board, Chair Fannon presented his professional background and his insights on BAWSCA's role in serving its member agencies and their water customers.

He noted BAWSCA's critical challenges to complete the new water supply agreement with San Francisco, monitor the progress of the SFPUC's Water System Improvement Program, and address the pressing need to establish reliable water supplies for this region.

He reported that the Board Policy Committee met on February 11<sup>th</sup> under the leadership of a new Chair, Kelly Fergusson, and Vice-Chair Bill Quirk. Additional modifications to the Board Policy Committee are the appointments of new members, as announced at the beginning of the year.

Chair Fannon stated that he is comfortable that the agencies are well represented with the composition of the committee, and that he is pleased with the quality and commitment of the members on board. He thanked the committee chair, vice chair, and members for their willingness to serve and for their constructive input at the meeting of February 11<sup>th</sup>. Chair Fergusson will be reporting the committee's discussions.

Chair Fannon welcomed the newly appointed members of the Board, Mayor Patricia Mahan of Santa Clara, and Council Member Armando Gomez of Milpitas.

**3. Board Policy Committee Report:** The committee discussed the results to be achieved and the preliminary budget for FY 2009-10. Short-term and long-term strategies for water supply and conservation, as well as the challenge imposed by the supply limitation adopted by San Francisco were also discussed. The committee noted that future supply and conservation solutions would require future budget resources. The committee expressed its support for the preliminary budget and the goals to be achieved in FY 2009-10.

**4. Chief Executive Officer's Reports:**

A. Announcements: Board members were reminded that FPPC Forms 700 are due to BAWSCA by April 1, 2009.

The Water Education Foundation is conducting its 3<sup>rd</sup> annual tour of the Hetch Hetchy water system on July 22, 23 and 24. BAWSCA will be purchasing tickets for BAWSCA board members whose agencies are unable to cover the cost of the tour. BAWSCA will vigorously promote the tour to have a full bus. Staff members of agencies who are interested in participating in the tour should contact BAWSCA.

- B. Water System Improvement Program: Mr. Jensen reported that San Francisco's program to rebuild the regional water system is about 15% completed and is projected to end approximately 6% over the approved budget. Mr. Jensen stated that there is a long way to go, so a slight budget variation at this time is not a cause for great concern. The program is on course for completion by March of 2015.

Program expenditures are currently within the planned range. BAWSCA will continue to monitor project budgets and schedules closely. Nicole Sandkulla and BAWSCA's team of technical consultants reviews the quarterly progress reports by project. As previously reported by BAWSCA and by the SFPUC to the BAWSCA board as well as to the SFPUC Commissioners, some environmental work is lagging behind schedule. The delays were not impacting project completion schedules when this was first reported. However, as time has progressed, the delays have reached the point where some project schedules are being affected.

Mr. Jensen reported that the SFPUC has addressed the issues causing delays, but the difficulty will be in recouping the lost time for the projects affected.

Ms. Sandkulla clarified for Director Guzzetta that the percentages shown for the environmental work and for bid and award represent the comparison of budget expended and planned earned value or actual progress.

- C. Water Supply Conditions – Update: Mr. Jensen reported that San Francisco's reservoirs are expected to fill, but a question remains on how much supply, if any, will remain stored as snow pack. Voluntary conservation will likely continue.

Mr. Jensen reported that water-users have responded well to the request for 10 percent voluntary reductions, and consumption is 14% below what was used in the base year, 2004.

Statewide water conditions are not as good, and are having a serious impact on the agricultural economy.

Director Guzzetta asked what the probabilities for a mandatory rationing would be. Michael Carlin of SFPUC reported that the regional water system is down to a 14% probability for a mandatory rationing. Current analyses indicate a 10% voluntary conservation will be sufficient for the coming year. Mr. Carlin also explained that the Governor's recent declaration for a water emergency refers to the entire State of California. The water supply picture for the San Francisco regional system refers to conditions of its watersheds, which have benefited from the storms off the Pacific Ocean and the Pacific Northwest. The system's Sierra watersheds have been in the eye of the storm track, and recent precipitation in the Bay Area has also benefited local watersheds, which make the region's water conditions better than the rest of the State.

- D. Silicon Valley Water Conservation Awards: Mr. Jensen reported that BAWSCA is working with ten organizations led by the Tuolumne River Trust in presenting the Silicon Valley Water Conservation Awards. The awards are to raise awareness and acknowledge outstanding achievements in water conservation through best practices, efficiency and innovation. The winners are in the process of being announced, and will be recognized in a ceremony on World Water Day, March 23<sup>rd</sup>. The City of San Jose, Stanford University, and the City of Redwood City are award recipients.
- E. Status of New Water Supply Agreement: BAWSCA continues to meet with SFPUC General Manager, Ed Harrington and his team. The meetings are productive, and remaining issues are expected to be resolved. A meeting with appointed representatives from each agency was held on March 18<sup>th</sup>. The representatives were pleased with recent progress.

San Francisco is expected to take action on the agreement at the SFPUC meeting on April 28<sup>th</sup>. The agreement will be released by San Francisco ten days prior to the meeting date. Art stated that BAWSCA will provide each agency with information and coordinate work on various details before and following San Francisco's action.

Mr. Jensen reported that he has been having, and will continue to have briefing meetings with agency representatives, staff and management on the agreement. The approval of the new agreement is expected to be completed in June.

## 5. SFPUC Report:

SFPUC General Manager Ed Harrington reported that the WSIP will continue to be a challenge, and that the SFPUC will continue to make sure that it is done right and within budget. The SFPUC is seeing the results of a well-written Program Environmental Impact Report (PEIR). Mr. Harrington reported that the actual comment periods for individual EIRs have been less than the six to nine month shown in project schedules. Construction bids are coming in well under budget.

Mr. Harrington explained that the SFPUC is in a conservative mode for the environmental and budget schedules, and will not assume that comment periods for EIRs and bids will continue to be less than estimated. The progress reports continue to reflect the six to nine month comment period, as opposed to the actual 3-month comment period that is taking place. Similarly, the status of expenditures reflects cost estimates as opposed to the favorably low bids that have been received.

Mr. Harrington noted that the regional water system is blessed with favorable water supply conditions, and with its responsible customers, both retail and wholesale, in doing a good job of conserving in the last two years since the dry trend began. Mr. Harrington stated that the SFPUC always operates the system as if it is in the first year of an eight year drought to be responsible and to make sure that there is supply year to year without the need for mandatory rationing. He reiterated that continuation of a 10% voluntary water-use reduction is the right thing to do.

- 6. Public Comments:** Public comments were received from Beth Nord, Claudette Main, Michael Francois, Wynn Grcich, and Linda Corwin.
- 7. Special Reports:** Chair Fannon said the Board Policy Committee heard the CEO's special report on the challenge of ensuring our agencies have sufficient and reliable water supplies in future years. The committee had an active exchange on the report, and he urged members of the board to ask questions and offer constructive ideas in response to Mr. Jensen's report.
- A. The 38mgd challenge BAWSCA and its member agencies must solve: A new challenge for BAWSCA and its member agencies is that identified water supplies are 38mgd less than projected water needs in 2030. Mr. Jensen explained that 38mgd is equivalent to the combined water use of Redwood City, San Carlos, Belmont, Foster City, San Mateo and Hillsborough, and is equivalent to 40% of San Francisco's water use.
- The challenge arose when the SFPUC adopted the WSIP in October 2008, and included a limitation on total sales of water from SFPUC watersheds of no more than 265 mgd until 2018. The SFPUC action limits water sales to its wholesale customers to 184 mgd and water sales to its retail customers to 81 mgd. Mr. Jensen said the limitation contributed significantly to the certification of the PEIR without contest, however, it requires the wholesale customers double the water conservation efforts to which they previously committed.
- Mr. Jensen explained that the PEIR was based on projections made in 2004 which included the wholesale customers' commitment to save 11mgd by 2018.
- The SFPUC's water supply limitation now requires an additional 11mgd of water savings before 2018, so that wholesale customers must now save a total of 22 mgd in under nine years. To meet expected growth through 2030, the wholesale customers must save or develop supplies for an additional 16 mgd before 2030.
- BAWSCA and the wholesale customers have to act promptly to address this challenge.
- Mr. Jensen explained that the challenge can be addressed in 2 phases. The first phase will focus on what can be done between now and 2018, including increased conservation and expansion of existing water recycling. This assessment will be achieved this fiscal year through BAWSCA's Water Conservation Implementation Plan (WCIP). The Pacific Institute has been engaged to provide BAWSCA with critical reviews of the WCIP, as it did with the 2004 water demand projections.
- Phase 2, addressing the long-term need, must begin immediately in order to have long-term solutions in place by 2019. Additional conservation and the development of new supplies need to be investigated, and next year's preliminary budget contains funding to prepare the scope for this investigation during FY 2009-10. The investigations should be completed in two years, followed by the implementation of the long-term plan that will put new savings and supplies in place before 2030.

Mr. Jensen noted that the need to address this challenge is critically important to support continuing growth in population, jobs and the regional economy. Mr. Jensen noted that each agency is required to submit an updated Urban Water Management Plan to the State every five years. BAWSCA's short-term and long-term efforts will provide the agencies with information they need to complete these plans.

- B. Water Conservation Implementation Plan – Update: Ms. Sandkulla reported that BAWSCA continues the development of this plan with a workgroup comprising staff from member agencies. A full presentation to the board will be made at the May board meeting.

The primary question is whether BAWSCA and its member agencies can meet community water needs within the supply limitation imposed by San Francisco. Ms. Sandkulla reported that while it can be done, it will not be an easy task, and will take a significant effort by all member agencies.

Ms. Sandkulla reported that roughly one-third of the overall savings will be achieved through programs administered by BAWSCA. Member agencies will achieve the remaining two-thirds of the savings through their individual efforts. Ms. Sandkulla noted that the combined effect of BAWSCA and the individual agency activities should be sufficient to meet the overall goal.

BAWSCA's proposed conservation program for FY 2009-10 was developed with the support of the project workgroup. The program will continue the current implementation structure of having a core program that benefits all agencies, and a subscription program paid by participating agencies. The current implementation structure complements conservation programs in the region and avoids duplication of effort.

To achieve savings as soon as possible, the workgroup took advantage of what has been successful during the last five years. There are opportunities to expand existing conservation programs, such as the Washing Machine Rebate Program and High Efficiency Rebate Program. The School Education Program will be expanded to reach middle school and high school students as opposed to targeting only 4<sup>th</sup> and 5<sup>th</sup> graders. The landscape education classes that currently focus on residents will be expanded to include commercial landscape professionals.

New programs will include bulk purchase of materials, a regional public information outreach to water customers, and ordinances for new building efficiency. Drafting model ordinances for new construction will be a BAWSCA-wide program that will be coordinated with the Santa Clara Valley Water District. There will be ordinances for achieving both indoor and outdoor water use efficiency.

Ms. Sandkulla stated that agency staff are concentrating on activities they must implement next year so that the activities can be included in their proposed budgets for next year.

It is vitally important to track the implementation of the programs and the water savings that result. Putting this tracking mechanism in place is one of the results BAWSCA must achieve next fiscal year.

BAWSCA agencies must be prepared with the adequate resources to meet the savings targets, and are encouraged to seek partnerships, cost sharing possibilities and grant opportunities.

Ms. Sandkulla stated that although a plan may be in place, the response from water customers is unknown. An adaptive approach to management so that the program can be adjusted if savings fall below expectations.

Director O'Mahony asked about expansion of the HET and WMRP programs to the commercial sector. Ms. Sandkulla explained that the HET rebate program applies and will continue to apply to commercial applicants. A commercial washing machine program will partner with energy rebate programs from the State. Whether to initiate a program to install water efficient dishwashers in restaurants will be investigated in the future.

Director Abrica asked the following questions:

- Is this an emergency?
- Why did the SFPUC impose a water supply limitation after BAWSCA put together a water demand projection in 2004 and why can't we influence that decision?
- Can San Francisco consider reducing the limitation if the BAWSCA member agencies reach a certain goal?

Mr. Jensen stated that the primary urgency was the threat of an earthquake disabling the regional water system and putting communities out of water for up to 60 days. The SFPUC's WSIP addresses this critical concern by seismically retrofitting the regional water system.

Mr. Jensen said that the decision to impose a water supply limitation was a unilateral action by San Francisco. He noted that San Francisco is an unregulated charter city over which BAWSCA and its member agencies have no control. BAWSCA may or may not be able to influence decisions made by San Francisco or its Public Utilities Commission, but BAWSCA has no decision-making authority over San Francisco. BAWSCA continues to work cooperatively with the SFPUC, however, Mr. Jensen noted that the BAWSCA agencies cannot and should not assume that San Francisco will act in concert with their interests. BAWSCA was created under a legislation authored by former Assembly member Lou Papan so that its member agencies could work together, through representative governance, to address their water needs independently or with San Francisco.

Mr. Jensen provided two answers to the question of whether San Francisco could provide an incentive by relaxing the supply limitation if BAWSCA member agencies reach a certain conservation goal. First, San Francisco is unlikely to embrace such an incentive program because San Francisco has committed to conducting studies of the environmental health of the Tuolumne River. Until those studies are done, San Francisco will not be able to make a commitment, conditioned or otherwise, to provide additional water supply from the Tuolumne River. If San

Francisco did, there would likely be strong objections from the environmental interests that sought to have the limitation imposed.

Second, it would be unadvisable to provide San Francisco a mechanism for controlling or directing land use and quality of life decisions in the communities served by BAWSCA's member agencies. Those decisions rightfully belong under jurisdiction of local policy makers and elected officials, and they should not abrogate those responsibilities.

Director Klein asked what kinds of studies, if any, have been done to look at how the industrial sector can participate in the conservation efforts. Ms. Sandkulla reported that the project workgroup is looking at how the City of San Jose's Water Efficient Technology Program can serve as a model for a program that can be applied by all BAWSCA member agencies. The project workgroup will investigate this possibility next year and what it would take to make such a program effective.

Director Quirk asked how BAWSCA will determine whether an agency has done all the conservation it can do, and whether a lagging agency will be asked to do more. Ms. Sandkulla stated that there will be differences in the amount of new savings agencies can achieve because that will depend on how much conservation has been achieved in the past. The model contains historical information on conservation that agencies have implemented since 2001. Conservation done prior to 2001 is reflected in each agency's current water use.

Director Pear stated that he would like to see more information about the proposed indoor and outdoor ordinances for new buildings, and specifically the cost impacts to end users. He suggested that various trade associations can participate in the process of developing the ordinances, because new requirements could impact projects negatively.

Director Weed commented that it would be valuable administratively and monetarily if the model identified the amount of water supply achieved through conservation.

Director Pierce commented that it would be sensible to look at and understand what each of the member agencies' are able to do and help them identify what conservation efforts makes the most sense for their communities.

Director Breault asked what role is envisioned for BAWSCA in the conservation implementation plan. He also asked how each agency's use of their supply assurance factors into the equation for conservation.

Mr. Jensen explained that the individual agencies have responsibility and authority over how they implement water conservation. BAWSCA has worked with them to coordinate their efforts, ensure a consistent method of analysis, and identify what measures the agencies would like BAWSCA to administer on their behalf, and to what extent. With respect to the contractual supply assurance, the new agreement with San Francisco will have a provision that provides flexibility for agencies to transfer portions of their individual supply guarantees. Agencies who are able to save water will have an opportunity to develop water supply for agencies that can use it. It does not necessarily solve the problem for a specific agency, but provides

another means for achieving greater water use efficiency and ensuring reliable supplies throughout the region.

- C. Presentation of Results to be Achieved in Fiscal Year 2009-10 and Preliminary Budget Estimate: The preliminary results to be achieved and budget for FY 2009-10 were presented to and discussed by the BPC at its meeting on February 11<sup>th</sup>. Following the board's discussion and input, a draft of the proposed results to be achieved and budget will be brought back to the BPC in April for review and recommendation for adoption at the May board meeting.

The preliminary budget presented to the BPC in April was very close to the approved FY 2008-09 budget of \$2.763 million. However, it increased by \$115,000 since the committee meeting, as a result of the ongoing work on the Water Conservation Implementation Plan. The additional funds will cover the work needed to begin achieving increased conservation next fiscal year. Additional details are provided in the staff report.

The planned results to be achieved now include a new activity that was not presented to the committee. It is BAWSCA's facilitation of the agencies' review of the current drought allocation formula and plan, which will expire on June 30, 2009.

Activities that are not anticipated to be critical to the success of the agency are not included in the preliminary budget. However, if events change, and it is necessary to take on a new activity, the board will be asked to consider realignment of the budget or appropriation of additional funds.

Part of BAWSCA's budget pays for consultants that augment staff, such as legal counsel, strategic counsel, technical, and financial services. Sources of revenue include the agency assessments, the use of the general reserves, and the reimbursements from subscription-based conservation programs.

Mr. Jensen noted that a new accounting process for the subscription-based conservation programs will be implemented in FY 2009-10. The current process requires BAWSCA to act as the "banker", and because of the growth of the programs, the process has caused financial strain on the agency. BAWSCA will now require participating agencies to pay a portion of the cost of the program when they sign up to participate. Mr. Jensen noted that the BPC and the Technical Advisory Committee has been informed of the change, so that agency staff can begin considering the change and address potential issues.

Three funding alternatives examined were presented to the board. Alternative #2 increases the assessments by 9%, and provides a reserve balance equivalent to 11% of the operating budget.

Mr. Jensen noted that the 9% increase in assessment came from last year's analysis to respond to the board's question of how BAWSCA can maintain a given level of operation. The result was a 9% assessment increase over a two year period to maintain a \$2.5 million budget.

With respect to the general reserve, BAWSCA's budgeting guideline is to have a balance of 20%-25% of the operating budget to cover unanticipated expenses. In the event of an emergency, the board can reprogram the use of funds within the

approved budget. The board also is authorized under state law to increase assessments in the middle of the year if the board finds it necessary to do so.

Members of the BPC discussed the three funding alternatives and Director Quirk asked how much more can be achieved in addressing the 38mgd challenge if additional funding of \$100,000 was available. Art reported that the scoping study for the long-term water supply limitation could begin 6-months ahead of time. Agency assessments could be maintained at 9% with an impact in the general reserve balance of 7%, if an additional \$100,000 was made available.

Director Klein asked what might be available in the federal stimulus program for BAWSCA, and urged staff to talk to local congressional members.

Director Pierce noted that a 10% increase in assessment, as Director Quirk was suggesting, could raise the reserve balance this year, and that building up the reserves may bring BAWSCA closer to its reserve balance goal of 20%-25% of the operating budget. Mr. Jensen said he would include a multi-year examination of what the reserves have been at the next BPC meeting.

Director Weed stated that he is bewildered by the suggestion of an increase in assessments, and noted that half of the budget pays for consultants who are primarily focused on getting the new agreement negotiated. He hopes that there would be a significant decrease in the need for consultants when the new agreement is in place.

Mr. Jensen explained that the new challenge of additional water supply limitation is the reason why the budget did not decrease.

#### **8. Consent Calendar:**

**M/S/C (Quigg/Anderson/Unanimous) that the Minutes of the January 15, 2009 BAWSCA Board meeting be approved; that the Monthly Budget Status Report, and Investment Report for period ending January 31, 2009, be received and filed.**

#### **9. Directors' Discussion:**

Director Weed announced that The Association of the California Water Agencies (ACWA) Region 5 includes the BAWSCA member agencies' service area. There are two upcoming meetings in collaboration with the Water Education Foundation, to discuss water rationing and techniques for conservation.

Director Reynolds asked if any consideration has been given in the event that rainfall patterns significantly change, and the closest source of water would be the Columbia River. Mr. Carlin reported that the SFPUC is working with the National Oceanic and Atmospheric Administration, and the irrigation districts to develop a climate change model for the Tuolumne River. The work will take approximately one year, longer than anticipated, as climate change modeling has been done on a global level as opposed to a watershed level.

#### **10. Adjournment:** The meeting was adjourned at 8:50pm.

**11. Date, Time and Location of Next Meeting:** The next meeting is scheduled for May 21, 2009, in the Wind Room, Foster City Community Center.

Respectfully submitted,

Arthur R. Jensen,  
Chief Executive Officer/General Manager and Secretary

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**March 19, 2009**

**Attendance Roster**

Present:

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|------------------|-----------------------------------|
| Ruben Abrica     | City of East Palo Alto            |
| Robert Anderson  | Purissima Hills Water District    |
| Randy Breault    | Guadalupe Valley Water District   |
| Robert Craig     | Westborough Water District        |
| John Fannon      | Town of Hillsborough              |
| Kelly Fergusson  | City of Menlo Park                |
| Mike Goff        | Stanford University               |
| Armando Gomez    | City of Milpitas                  |
| Rob Guzzetta     | California Water Service Company  |
| Larry Klein      | City of Palo Alto                 |
| Patricia Mahan   | City of Santa Clara               |
| Chris Mickelsen  | Coastside County Water District   |
| Irene O'Connell  | City of San Bruno                 |
| Rosalie O'Mahony | City of Burlingame                |
| Matthew Pear     | City of Mountain View             |
| Tom Piccolotti   | North Coast County Water District |
| Barbara Pierce   | City of Redwood City              |
| Dan Quigg        | City of Millbrae                  |
| Bill Quirk       | City of Hayward                   |
| Chris Reynolds   | Skyline County Water District     |
| John Weed        | Alameda County Water District     |
| Rick Wykoff      | City of Foster City               |

Absent:

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|------------------|------------------------------|
| Cyril Bologoff   | City of Brisbane             |
| Michael Guingona | City of Daly City            |
| Chuck Reed       | City of San Jose             |
| Ron Swegles      | City of Sunnyvale            |
| Louis Vella      | Mid-Peninsula Water District |