

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

**January 21, 2010 – 7 p.m.  
Foster City Community Building, Foster City CA**

<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. Eighteen (18) members of the board were present, constituting a quorum. A list of directors present (18) and absent (8) is attached.

**2. Special Order of Business – Election of Officers for Calendar year 2010**

Vice-Chair Pierce conducted the portion of the meeting that called nominations for the position of Chair of the BAWSCA board. Director O’Mahony nominated John Fannon for chair, with dual-secondes by Directors Fergusson and Bologoff. There being no other nominations, nominations were closed by consensus.

**M/S/C (Vella/Goff; Unanimous) that John Fannon be elected as Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2010 to commence at the adjournment of the meeting at which he was elected.**

Chair Fannon called for nominations for the position of Vice-Chair. Director Quirk nominated Barbara Pierce as Vice-Chair of the board, and was seconded by Director O’Connell. There being no other nominations, nominations were closed by consensus.

**M/S/C (Vella/O’Connell; Unanimous) that Barbara Pierce be elected as Vice-Chair of the Bay Area Water Supply and Conservation Agency Board of Directors for calendar year 2010 to commence at the adjournment of the meeting at which she was elected.**

**3. The meeting adjourned to convene the San Francisco Bay Area Regional Water System Financing Authority Board of Directors meeting.**

**4. The meeting re-convened at 7:08**

**5. Comments by the Chair:**

Director Fannon thanked the members of the board for their vote of confidence on his leadership, and Barbara Pierce’s role of vice-chair, as the agency approaches a challenging year in 2010. Chair Fannon noted that the budget for the next fiscal year focuses on three specific water supply management activities: Member agencies’ agreement on the allocation of water supplies in the event of a drought, continuing the water conservation program, and the search for long-term reliable supplies of water to meet future needs. Chair Fannon said BAWSCA must continue careful examination of options to avoid further

public policy decisions being made by parties not accountable to the member agencies and their customers.

Chair Fannon emphasized that taking command of BAWSCA member agencies' destiny with respect to water supply management was a fundamental concept when the formation of BAWSCA was authorized and when the member agencies voted to create and join BAWSCA. The health, safety and economic well-being of the 1.7 million people in the service area, and the successful operations of the 30,000 businesses and thousands of community organizations who employ and serve those people is a regional responsibility of BAWSCA and its member agencies.

- 6. Resolution Honoring Ray McDevitt's Services:** The board adopted Resolution 2010-01 honoring Ray McDevitt's services for more than 30 years.

**Roll Call Vote: Unanimous**

**Ayes:** Anderson, Bologoff, Breault, Fannon, Fergusson, Goff, Guzzetta, O'Connell, O'Mahony, Pear, Pierce, Quigg, Quirk, Swegles, Vella, Weed, Wykoff.

Mr. McDevitt thanked the board for the honor of representing the interests of the communities in the Bay Area that depend on the regional water system.

He highlighted the significant changes that occurred over the past 34 years, including BAWSCA's statutory authority, as opposed to the powers of its predecessor organization, an unincorporated association, BAWSCA's governing body of elected officials, and the evolution of BAWSCA's relationship with San Francisco, enhanced by Ed Harrington's leadership of the SFPUC.

He said the changes provide BAWSCA member agencies and San Francisco an advantage to the common challenges they face. BAWSCA has first-rate professional staff in engineering and finance, and in planning, a dedicated chief executive officer, and a board that represents the collective interests of the member agencies. BAWSCA is well poised and positioned to confront its challenges that, although different from 34 years ago, are no less formidable.

Director O'Mahony thanked Mr. McDevitt for his counsel on the 1977-1984 Settlement Agreement, and the negotiations of a new Water Sales Agreement for the next twenty-five years.

- 7. Board Policy Committee Report:** Committee Chair Fergusson reported that the committee met on December 9<sup>th</sup> 2009 and discussed items that will be presented to the board. The committee reviewed, and voted unanimously to recommend the adoption of the mid-year budget adjustments. The committee was presented with a long-term perspective of issues and priorities that BAWSCA will be facing and the one-year work plan for FY 2010-11.

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

- A. Announcements: As announced during the RFA meeting, Mr. Jensen reminded board members that FPPC Forms 700 are due to BAWSCA by April 1, 2010.

- B. Water System Improvement Program - Update: San Francisco submitted a report of the changes to the Water System Improvement Program to the State Department of Public Health (CDPH) and Seismic Safety Commission (CSSC) in July 2009. The reviews by the CDPH and CSSC, as required by the State Water Code, focused on whether the revisions to the WSIP create increased risks to the public health and safety. These reports are sent to the Joint Legislative Audit Committee, as required by the Water Code.

The CDPH supports the WSIP and the changes to the program. The report indicates no increased risks to public health and safety. The report did note that San Francisco should ensure it has the resources and capabilities to successfully implement the program on schedule.

The report by the CSSC is currently in draft form. BAWSCA submitted its comments to the CSSC, and encouraged the CSSC to seriously consider the concerns San Francisco offered in their comments. The CSSC confirmed that the final report will reflect the SFPUC's comments. BAWSCA will continue to monitor SFPUC's response to the concerns raised by CDPH and CSSC.

When the proposed changes to the WSIP were adopted by the SFPUC commissioners in July 2009, BAWSCA's recommendations were incorporated in the action taken by the commission. Mr. Jensen reported that the SFPUC is following through the recommendations with positive outlook on the work in progress, and completion of a management plan to monitor and track construction activities.

- C. Water Supply Management – BAWSCA's Water Supply Management objective is to ensure that reliable, high-quality supply of water is available where and when people within the BAWSCA service area need it. BAWSCA is currently working with Water Supply Management representatives appointed by each member agency to address three critical water supply management issues: (1) developing a Drought Implementation Plan (DRIP), (2) developing the Long-Term Reliable Water Supply Strategy (LTRWSS), and (3) determining whether agencies should provide input to San Francisco before it sets an interim supply allocations for each agency, and if so, what that input should be.

LTRWSS: A description of the need and purpose of the LTRWSS was included in the board agenda. Mr. Jensen noted that the description emphasizes that projected needs of the member agencies will exceed the available supplies within a short period of time. Existing supplies will be subject to drought shortages and all agencies' long-term needs will be affected. Economic consequences can be severe and would affect the entire region.

Residents, communities and businesses within each member agency service area depend on resources and services from all parts of the region to live, work and conduct their businesses. Mr. Jensen emphasized the importance of making sure that water needs are met reliably throughout the region.

The development and implementation of the LTRWSS is a multi-year effort, and its success will require actions by member agencies and BAWSCA. Mr. Jensen reported that in FY 2009-10, BAWSCA is working with member agencies to develop the scope

of the study, which will be presented to the board in this Spring. The strategy will be developed over the next 2 years in FY 2010-11 and 2011-12. The strategy will identify the best projects, the schedule on which they should be completed, how they will be funded and will be responsible for completing them.

The proposed budget for FY 2010-11 will include the funds needed next year to develop the strategy.

Drought Implementation Plan (DRIP): The new Water Supply Agreement allocates the water supply between San Francisco and the wholesale customers, as a whole, during a drought. The purpose of the Drought Implementation Plan (DRIP) is to allocate the water supply available from San Francisco among the BAWSCA member agencies. The existing plan expired in June 2009, and BAWSCA is working with water supply management representatives from each agency to prepare a new drought allocation plan. The schedule is to produce a plan that is agreed upon by all member agencies in the Spring of 2010. Under the new Water Supply Agreement, member agencies must reach unanimous agreement on a drought allocation plan. It also provides that if they are unable to reach agreement, the BAWSCA board of directors is authorized to adopt an allocation plan. Finally, if the BAWSCA board produces no allocation plan, San Francisco can determine an allocation plan so that it may manage its water resources.

The new water agreement contains provisions that allow agencies to transfer portions of their annual shortage allocation among one another, bank unused portions of their allocation, and transfer banked water. The new agreement specifies that the allocation provisions only apply to drought shortages up to 20% system-wide.

The agency water management representatives have agreed that drought allocations must meet the following objectives:

- Provide certainty that sufficient amounts of water for basic needs will be available;
- Create incentives to conserve at all times and develop and manage alternative supplies;
- Avoid preventable adverse economic impacts and the reallocation of water supply assets and investments among agencies without mutual consent and compensation;
- Recognize inherent differences in land use and climate;
- Be easily understood and administered.

BAWSCA's role in the development of DRIP is to provide structure for the meetings, perform the analyses, and encourage decisions based on facts, analyses and practicality.

Mr. Jensen reported that various allocation methods have been analyzed and evaluated with the water supply management representatives from each agency. Specific concerns have been noted by a few agencies, and BAWSCA will continue to work with the group to look at how different characteristics of member agencies can be accommodated. Separate meetings with agencies who have concerns will be held followed by a meeting with all the agencies. A report will be provided to the BPC at its meeting in February.

Director Goff stated that incentives are important for the immediate implementation of conservation efforts. He acknowledged the efforts of Nicole Sandkulla with the committee and in trying to accommodate the needs of all agencies.

Director O'Connell asked if the SFPUC has to do a similar drought implementation plan, and what their plan includes. Mr. Jensen explained that the new Water Supply Agreement specifies how the water supply is allocated during a drought between San Francisco and the wholesale customers, as a whole. The SFPUC allocates their share of water to their retail customers, as would each BAWSCA member agency would to theirs.

Director Weed brought up the State's efforts to develop water conservation standards for SB 7, 20% by 2020, and inquired whether it would be efficient for BAWSCA to submit a regional report to the state on behalf of all the BAWSCA agencies. Mr. Jensen stated that BAWSCA could submit plan on behalf of agencies who specifically would like BAWSCA to submit a report on their behalf.

Mr. Jensen said that BAWSCA is also working with water supply management representatives to determine what, if any, input they wish to provide San Francisco before it sets interim supply allocations for each agency. The interim supply allocations are being imposed by San Francisco to enforce its October 2008 unilateral decision to limit how much water San Francisco provides to itself and the Wholesale Customers until at least 2018.

Water Conservation Implementation Plan: Mr. Jensen reported that the number of Landscape Education Classes doubled for Spring 2010. The Washing Machine Rebate Program (WMRP) continues to be successful. Participating agencies have spent at least half of what they budgeted for rebates, and several have spent 100% of their budget midway through the fiscal year. The demand for rebates indicates the high customer interest and market activity. It also demonstrates that the rebate targets are achievable.

Mr. Jensen reported that the combined budget was not equal to the 8,100 rebates targeted for FY 2009-10. This fiscal year's program had a combined budget for 3,400 rebates because financially, it was difficult for many agencies to fully fund the program. Some agencies are going back for additional funding. Mr. Jensen noted that the amount of rebates received to date shows how the program can catch up in future years when the financial conditions improve.

Unlike the WMRP, the High Efficiency Toilet Rebate Program is relatively new, and is not tied to PG&E for an energy savings. However, the increased number of rebates issued to date, in comparison to last year at this time, shows that the program is accelerating. The program is gaining customer interest and is getting increased visibility.

Mr. Jensen reported that this year's combined budget is only half of what is targeted due to funding availability. Several of the participating agencies have expended more than half of their budget midway through the year, which shows that the program goals are reasonable. Agencies can consider funding more rebates to achieve more savings.

Mr. Jensen said there is excellent evidence that High Efficiency Toilet programs are successful in this area. He noted that six months ago it was not possible to find an HET

in any of the stores of a major hardware chain. At this time there are at least three HET models in every single one of the chain's outlets in this area.

Director Quigg asked about how the program is being incorporated in the commercial sector. Ms. Dutton reported that rebates can be allocated to commercial or multiple dwellings, such as hotels and apartments, but that this market has the potential to overwhelm a rebate program. While there might be demand, the available funds are not able to absorb such a large demand.

Mr. Jensen reported that all member agencies have either adopted, or are in the process of considering adoption of water-efficiency ordinances. Some agencies adopted or are considering BAWSCA's model ordinances, and some are considering a modified version that is compatible and in some cases more rigorous.

BAWSCA will continue to provide agencies with outreach and technical support with their adoption process, and will answer questions from the media about what BAWSCA has done.

- D. Legislation Update: BAWSCA is currently working with Assembly Member Ira Ruskin and has asked if he would introduce legislation that would amend BAWSCA's enabling legislation, AB 2058. The amendment would remove the reference to Skyline County Water District, which was absorbed by California Water Service Company, allow future acquisitions or mergers to be accommodated without amending the law, and update references to the old master contract to the new Water Supply Agreement.
- E. Fiscal Year 2010-11 Work Plan and Budget Preparation: Mr. Jensen reported that each annual budget is based on a work plan developed to achieve results needed during the coming year. The work plan preparations for fiscal year 2010-11 required looking out to the year 2016 to identify the activities that are vital to the long-term success of BAWSCA and its member agencies.

Currently anticipated activities focus on Water Supply Management, including the Water System Improvement Program, and Water Quality.

The area of water supply management includes developing and successfully implementing the LTRWSS, representation of the agencies' interests in the re-licensing proceedings of the Federal Energy Regulatory Commission (FERC), and the implementation and ongoing monitoring of the Water Conservation Implementation Plan. Related activities include submittal of estimated future water supply needs to the SFPUC, support for the agencies on the Urban Water Management Plan reports due to the State, and the pursuit of grants for the Integrated Regional Water Management Plan.

BAWSCA's activities in supporting completion of San Francisco's Water System Improvement Program (WSIP) focus on the review of and input on (1) environmental documents required for securing project approvals and permits, and (2) planning and design characteristics of the projects. BAWSCA will also monitor the progress of construction, status of budgets and schedules, and reporting to the State.

Mr. Jensen reported that Water Quality, which has not been an element of the budget in the past, now appears because the new Water Supply Agreement establishes a Joint Water Quality Committee. The committee is chaired in alternate years by a representative from BAWSCA and the SFPUC. A work plan for FY 2010-11 has been

developed jointly by BAWSCA and the SFPUC. Luisa Sangines, Environmental Engineer for Alameda County Water District (ACWD) and the chair of BAWSCA's prior Water Quality Committee, accepted the position of Chair for FY 10-11. The position is a volunteer position, and although the committee and its activities may not require a budget or the completion of a particular study, BAWSCA will support the committee as needed.

The workplan also includes the administration of the old contract and new water supply agreement. BAWSCA reviews annual audits completed by an independent auditor for San Francisco at the end of each fiscal year. BAWSCA reviews the audits and other information to identify any irregularities, and asks for explanations and adjustments, if necessary. Audit reviews are currently being conducted for FY 2005-06 and will continue for the subsequent years. Concurrently, the administration of the new Water Supply Agreement has begun and is an ongoing responsibility delegated to BAWSCA under the new Agreement.

Mr. Jensen presented the methods available to fund next year's budget. Since BAWSCA's formation, budgeted activities are funded through assessments. Assessments can be augmented through a transfer of funds from BAWSCA's general reserve. Water conservation programs offered on a subscription basis are paid for separately by the agencies that elect to participate in those programs.

Through the new Water Supply Agreement, member agencies authorized the BAWSCA board to fund water supply and conservation activities through a Water Management Charge that would be collected by the SFPUC through wholesale water bills and forwarded to BAWSCA. One alternative available to the board is to fund the Long-Term Reliable Water Supply Strategy through this charge. This funding possibility was presented to and discussed by the BPC at its meeting on December 9<sup>th</sup>. A member of the Committee noted this process would be appropriate for a one-time effort, such as the LTRWSS. The method would avoid creating large fluctuations on BAWSCA's assessments. Mr. Jensen noted that a decision by the board to use the Water Management Charge as a source of funding would, as any other budget decision, be made in public and based on a proposed purpose, budget and results to be produced.

Mr. Jensen noted that while the cost of the LTRWSS is yet to be determined, the funding option is being reported to the board for its information. Director Quirk noted his support for the method.

A preliminary workplan and budget will be presented to the BPC in February and to the board in March for review and comments. The board will consider and act on a proposed workplan and budget for FY 2010-11 at its meeting in May.

- 9. SFPUC Report:** Attending members of the SFPUC staff included Ed Harrington, SFPUC General Manager; Steve Ritchie, Assistant General Manager of the Water Enterprise; David Briggs, Water Supply and Water Treatment Manager, and Sharyn Saslafsky, Liaison to BAWSCA.

Mr. Harrington thanked Mr. McDevitt for his years of service, and recognized his significant involvement in the negotiation of the new Water Supply Agreement, which was accomplished through mutual accord that both agencies can be proud of.

Mr. Harrington reported that current precipitation at Hetch Hetchy is about 110% of normal. Cherry reservoir is full and is only ten feet from the top of the dam.

The wholesale customers collectively reduced water use by 5% between July and December 2009, which is a testament to the conservation efforts that BAWSCA and its member agencies are doing.

With regards to the WSIP, Mr. Harrington reported that the SFPUC established a peer review panel of independent experts that interviewed the SFPUC and stakeholders in December of 2009. Mr. Art Jensen was interviewed by the panel.

Findings of the group will address whether the SFPUC has a system and management structure in place that is adequate to support the activities of the WSIP. Mr. Harrington reported that the findings look good, and that the final report will be presented to the commission at its meeting on January 26<sup>th</sup>.

Mr. Harrington noted that the current shutdown of the Coast Range Tunnel and the entire Hetchy system due to construction at both ends of the tunnel have not resulted in any problems because of the contingency plans that have been put in place. The shutdown schedule that was previously presented to the BAWSCA board by David Briggs demonstrates that a reliable plan is in place. The plan worked well when lightning knocked the controller out at the Harry Tracy Water Treatment Plant on January 19<sup>th</sup>. This put the regional system in a state where no water was flowing from Hetch Hetchy and one of the two local treatment plants was out of service. Contingency plans went in effect immediately, water continued to be delivered without incident, and the Harry Tracy Water Treatment Plant was back in service within a couple of hours. The short duration of the event required no calls to wholesale customers. The SFPUC takes the shutdown schedule and its emergency plan very seriously, and it is proud to have a plan in place that proved to be reliable.

The Calaveras Dam Project remains the biggest and most challenging project for the WSIP. The comment period of its Environmental Impact Report (EIR) has ended, and the SFPUC is working on its responses to the comments received. The biggest concern is on the operation of the Dam and downstream releases to protect fish. The SFPUC will examine how it can effectively operate the dam to meet water supply needs while practicing good environmental stewardship. Discussions on the Calaveras Dam Project will continue in the next six to eight months.

The SFPUC is currently conducting budget workshops with its commissioners to develop its budget for next fiscal year. Rate increases are staying within target of what was initially set. But as water consumption reduces from both the wholesale customers and SFPUC's retail customers, Mr. Harrington noted that rates will have to go up to recoup the fixed costs to operate the system. There will be discussion over the next few years on what can be collaboratively done to absorb the fixed costs. The SFPUC will try to keep the rates reasonable as rates are already expected to increase because of the WSIP. Mr. Harrington reported that rate projections will be further discussed with the wholesale customers at an



upcoming meeting on February 25<sup>th</sup>. What used to be the Suburban Advisory Group (SAG) meeting under the 1984 Master Water Settlement Agreement, is now the SFPUC Annual Meeting with Wholesale Customers and BAWSCA, under the new Water Supply Agreement.

In response to Chair Fannon's question, Mr. Harrington reported the water year should be a good year if current weather conditions continue. Reservoirs and water banks are expected to be full by June 30, 2010, unless conditions dramatically change in the next several months.

Mr. Harrington emphasized that the SFPUC runs the system as if every year is the first year of a multi-year drought so that storage is maintained and water is used wisely. The SFPUC continues to ask water customers to be water-wise.

- 10. Public Comments:** Public comments were received from Wynn Gr Eich, resident of the City of Hayward, Dave Olson, resident of Palo Alto, and Jessie Reider from the Tuolumne River Trust.

**11. Action Calendar:**

- A. Mid-Year Budget Assessment: In October, the BPC was presented with changes in the budget that resulted from unanticipated activities during FY 09-10. The changes were reported to the board in November. At its meeting in December, the BPC reviewed and discussed the proposed adjustments and recommends their approval to the board. The adjustments would not impact the total budget for the year, as they simply reallocate funds within the approved budget.

First, funds for one activity included in the approved budget were inadvertently omitted from the contract for Hanson Bridget. An amendment to Hanson Bridget's contract will be required to include the funds.

Second, specific technical support in green-building expertise was anticipated for the development of the indoor/outdoor ordinances. The professional support was found within Hanson Bridget's services, and it is recommended that the funds allocated for the technical support be applied to Hanson Bridget's contract.

Third, unanticipated work on FERC and the Delta legislation required the additional services from legal counsel. Other activities that would have required outside professional services are being performed by staff, and approved funding for those purposes can be reallocated to pay for the services required from Hanson Bridget.

Reallocation of funds for additional services needed from Hilton, Farnkopf, Hobson (HFH) will also be made. HFH is providing technical support for the development of the drought allocation plan, in addition to the technical and analytical support they provide on a variety of subjects.

**M/S/C (Swegles/Breault/Unanimous) that the board approve the following mid-year budget adjustments and associated actions:**

- a. **Reallocate 20,000 from Newkirk Environmental and \$20,000 from the contingency for a total of \$40,000, to fund technical support for Drought Allocation Plan and Interim Supply Limitations, and amend the**

**professional services contract with HFH to include these services and increase the not-to-exceed limit to \$55,000.**

- b. Reallocate a total of \$108,000 to legal services, for the purposes described in this memorandum, and amend the professional services contract with Hanson Bridgett to include these services and increase the not-to-exceed amount to \$419,000.**

**12. Consent Calendar:**

**M/S/C (Quigg/Pear/Unanimous) that the minutes of the November 19, 2009 board meeting be approved, the Budget Status Report for period ending November 30, 2009, Quarterly Investment Report for period ending December 31, 2009, and Director's Reimbursement Report for period ending December 31, 2009 be received and filed.**

- 13. Directors' Discussion:** Director Swegles asked whether BAWSCA has reviewed the inclusion of sub-metering for mobile home parks and town homes in the water conservation implementation plan. The City of Sunnyvale has found a 15-30% reduction in usage on the sub-meters it has applied in townhome and mobile communities. The Santa Clara Water District (SCVWD) has also implemented a rebate program on independent sub-meters, and can provide documentation about the potential.

Mr. Jensen reported that BAWSCA has looked into sub-metering and found that it is best handled by the local jurisdictions. BAWSCA can, however, look at SCVWD's rebate program. Chair Fannon recommended the item be put on the next Board Policy Committee agenda.

Director Quirk announced that the City of Hayward is currently working with the owners of a mobile home park to administer a sub-metering program. The residents appear to be receptive to the idea, and the city believes it could save up to 20% of the water use at that location..

Director Weed reported the passing of Steve Hall, Executive Director of the Association of California Water Agencies. A service is scheduled on January 29<sup>th</sup> at 2pm, at Folsom.

- 14. Adjournment:** The meeting was adjourned at 8:40 pm.

- 15. Date, Time and Location of Next Meeting:** The next meeting is scheduled on March 18, 2010, 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**  
**January 21, 2010**

**Attendance Roster**

Present:

Robert Anderson	Purissima Hills Water District
Cyril Bologoff	City of Brisbane
Randy Breault	Guadalupe Valley 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
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Matthew Pear	City of Mountain View
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Bill Quirk	City of Hayward
Ron Swegles	City of Sunnyvale
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Ruben Abrica	City of East Palo Alto
Ken Coverdell	Coastside County Water District
Robert Craig	Westborough Water District
Michael Guingona	City of Daly City
Larry Klein	City of Palo Alto
Patricia Mahan	City of Santa Clara
Tom Piccolotti	North Coast County Water District
Chuck Reed	City of San Jose