

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE
October 13, 2004 – 1 p.m.
155 Bovet Road, 1st Floor Conference Room**

MINUTES

1. Call to Order: 1:05 p.m.

The meeting was called to order by committee Chair, Rosalie O'Mahony at 1:05pm. Seven (7) members of the committee were present, constituting a quorum and two (2) were absent. A list of directors present (7) and absent (2) is attached.

2. Public Comment: None.

3. Action:

A. Approval of Minutes

M/S/C (Parle/Kasperzak; unanimous) that the Minutes of the July 28 meeting be approved.

- B. Recommend Appointment of Agency Financial Officer and Authorize the Financial Officer to Appoint a Deputy Financial Officer:** Art Jensen explained that BAWSCA is required to appoint a Financial Officer. He presented a recommendation to appoint him with the authority to appoint Senior Administrative Analyst, John Ummel as Deputy Financial Officer. Director Reynolds indicated that the word *compensation* should be added as the last word in the phrase that appears in line item C under *Recommendation* in the agenda memo. Director Kasperzak suggested consideration of succession planning.

M/S/C (Cooper/Parle; unanimous) to recommend the board to:

- a) **appoint General Manager, Arthur Jensen as Financial Officer, serving at the pleasure of the board;**
- b) **authorize the Financial Officer to name a Deputy Financial who will report directly to the Financial Officer, and;**
- c) **that services of both positions be provided without additional compensation.**

- C. Recommend Approval of BAWSCA Reserve Policy:** As previously discussed during the consideration of the FY 04-05 budget, a BAWSCA reserve policy is being brought to the committee for review and recommendation for board approval. Mr. Jensen proposed that unspent funds at the end of each year be deposited in the reserve in accordance with BAWSCA's current investment policy. Funds may be used only for purposes approved by the board. He presented that a maximum balance of twenty-five percent of the current year's operating budget, and a minimum balance of

twenty-percent of the current year's budget would serve as guidelines. The maximum and minimum balances were based on a review of historical and potential costs. Director Wykoff inquired about the use of funds for legislative hearings as noted in the agenda memo, and Legal Counsel, Ray McDevitt explained that agencies such as BAWSCA are legally authorized to participate in legislative activities using the reserve. Director Beecham inquired about the current level of the reserve. Mr. Jensen explained that it is slightly below twenty-five percent. Mr. Jensen stated that the reserve balance is typically augmented by budget surplus at year-end. Director Reynolds asked about the history of special assessments and Mr. McDevitt stated that he recalls only one from the arbitration in FY 1995-96.

M/S/C (Cooper/Parle; Unanimous) to recommend the board to formalize BAWSCA's reserve policy by authorizing the general manager to establish and maintain a reserve as follows:

- a) **All unspent funds be deposited in the reserve at the conclusion of each year;**
- b) **Funds be deposited in accordance with BAWSCA's current investment policy;**
- c) **Funds may be used only for purposes approved by the board of directors;**
- d) **when budgeting, the guideline for the maximum balance is 25% of the current year's operating budget and the guideline for the minimum balance is 20% of the current year's operating budget.**

D. Recommend Authorization to pay Regional Financing Authority (RFA)

Expenses: Mr. Jensen explained that board authorization for the general manager to pay RFA expenses is an administrative task that is helpful to have on paper for auditing purposes. It was reported that the current BAWSCA budget includes RFA expenses and that additional expenditures, if any, will be brought to the BAWSCA board for consideration and authorization.

M/S/C (Parle/Kasperzak; Unanimous) to recommend that the board authorize the general manager to pay the anticipated expenses of the San Francisco Bay Area Regional Financing Authority as anticipated when the BAWSCA budget for FY 2004-05 was adopted.

E. Recommend Adoption of the FY 2004-05 budget for the Bay Area Water Users Association (BAWUA):

In accordance to Section 4.6 of the BAWUA Bylaws, the Director is required to "prepare and submit in writing to the member a budget of the estimated revenues and expenditures for the ensuing fiscal year. The budget for the ensuing year shall be adopted or modified by the Member, in its discretion."

BAWSCA, being the sole member of BAWUA, must adopt the BAWUA budget. The proposed budget amount of \$97,060 was included in BAWSCA's FY 04-05 budget for BAWUA expenditures.

M/S/C (Kasperzak/Cooper; Unanimous) to recommend that the board adopt the proposed FY 04-05 budget for BAWUA totaling \$97,060

- F. Recommend authorization of BAWSCA's membership with California Urban Water Conservation Council (CUWCC):** CUWCC's mission is to promote efficient use of water in California through partnerships. Members are classified into 3 groups. Group 1 members are water suppliers, Group 2 are environmental organizations, and Group 3 are other groups that are interested in supporting the mission of conservation. BAWSCA is currently a Group 3 member of CUWCC. Changing membership to Group 1 will provide BAWSCA access to Proposition 50 grant funds, technical conservation assistance, participation in regional grant applications, and the capability to vote and partake in the decision-making within CUWCC. The annual dues to the current Group 3 membership is \$330. This amount is included in the adopted budget for FY 04-05. The estimated annual dues for Group 1 membership is \$7,000. It was reported that funds for the increased dues are available within the current budget. BAWSCA is working with CUWCC to ensure that dues paid by BAWSCA do not duplicate dues paid in the SFPUC. CUWCC's requirement of a bi-annual water conservation performance report serves as a tool that shows CUWCC the results of their efforts and funding, as well as a tool for members to demonstrate the results of their conservation efforts. Ms. Sandkulla explained that CUWCC is actively looking towards putting together several grant programs under Proposition 50 and future grant funding opportunities. Those programs include a cooling tower re-circulating grant for conservation, a "One-stop shop" that will provide smaller agencies access to CUWCC's grant programs through their website, and possibly an ET controller grant. Bud Wendell, strategic counsel, commented that Group 1 membership with CUWCC will strengthen BAWSCA's conservation identity which will be important as the issues of fixing the system and restoring the Hetch Hetchy moves forward.

M/S/C (Beecham/Kasperzak; unanimous) to recommend that the Board (1) authorize BAWSCA to apply for Group 1 membership in the California Urban Water Conservation Council (CUWCC), (2) authorize the payment of the associated membership dues, and (3) direct staff to continue to pursue with CUWCC a resolution to the issue of duplication of dues payments

4. Reports

Comments by Committee Members: Committee Chair Rosalie O'Mahony addressed the 5 policy issues facing BAWSCA which included fixing the system, alternatives for BAWSCA if SFPUC does not make acceptable progress fixing the system, the proposal to restore Hetch Hetchy, negotiating a new contract, and preparing communities to avoid a water outage crisis. Chair O'Mahony stated these issues fall within the purpose of the Board Policy Committee and the Contract Initiation Advisory Committee to provide the board and general manager with advice about policy issues related to BAWSCA's goal. Chair O'Mahony welcomed comments from the Directors. Because of the high level of interest from the

committee members to discuss the proposal of restoring Hetch Hetchy, the committee decided to put agenda item 4-E, ahead of 4B, C and D.

Proposal to restore Hetch Hetchy Valley: Mr. Jensen introduced Heather Dempsey from the Tuolumne River Trust and announced that Spreck Rosekrans, Executive Director of Environmental Defense (ED), is scheduled to arrive. Mr. Jensen stated that the ED report contributes to the debate about restoring the Hetch Hetchy Valley but does have short-comings. He stated it does not present the cost for removing the dam and restoring the valley. A second report, to be published by the group named Restore Hetch Hetchy, will address the cost of dam removal. Mr. Jensen stated that report is scheduled to come out by the end of the year. BAWSCA will continue to follow the issues and evaluate how they may require additional technical, legal and strategic resources. Mr. Rosekrans stated that ED supports BAWSCA's goals of having a reliable supply of high quality water at a fair price, and the reconstruction of the system. He explained that after a joint study of the water system, ED wrote the report to begin a discussion of the possibilities of restoring Hetch Hetchy. ED looks forward to working with San Francisco, BAWSCA, Turlock and Modesto Irrigation Districts, and the affected water agencies. Directors Kasperzak and Beecham expressed their concern on the potential of a long-term debate that could be costly and un-equitable for both sides. They inquired about key points and milestones that could provide an immediate conclusion and about the position BAWSCA must take on this debate.

Future Water Supply Needs and How to Meet Them: Mr. Jensen reported that member agencies held a workshop for agency staff to discuss how the agencies addressed local factors projecting their water demands. Agencies are reviewing how water conservation affects projected demands and will provide them to San Francisco by November 19. Mr. Jensen reported that Maddaus Water Management has begun its work on the regional conservation assessment.

Fixing the Regional Water System CIP: Policy issues and environmental objectives: Mr. Jensen explained that in the next three months, the SFPUC will consider how much reliability and water supply it will provide through its CIP projects. Mr. Jensen presented SFPUC's Policy Issues and environmental objectives for the CIP. BAWSCA's CIP objectives are reliable supply of high quality water at a fair price. The SFPUC has scheduled workshops to occur twice a month on CIP objectives, policy decisions and CIP schedule revisions. Mr. Jensen will attend the first workshop scheduled for October 26 and encouraged BAWSCA board member presence. To address the criticality of the policy issues and its impacts to the CIP, staff is identifying key policy issues to present to San Francisco prior to the workshop. Legal Counsel Ray McDevitt referred to the policy issues presented by Mr. Jensen and said that many of the decisions have already been made by the SFPUC. Mr. McDevitt stated that the next three months are critical for the BAWSCA board to work with San Francisco so that no decisions are made in haste.

- 5. Adjournment:** The meeting was adjourned at 3:15. The next meeting is scheduled for December 8, at 1pm in the first floor conference room of the BAWSCA office building, 155 Bovet Road, San Mateo.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Arthur R. Jensen", with a long, sweeping horizontal line extending to the right.

Arthur R. Jensen, General Manager and Secretary

ARJ/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board Policy Committee
October 13, 2004

Attendance Roster

Committee Members Present:

Roasalie O'Mahony	City of Burlingame (Chair)
Bern Beecham	City of Palo Alto (Vice-Chair)
Roberta Cooper	City of Hayward
Mike Kasperzak	City of Mountain View
Aldyth Parle	City of Santa Clara
Chris Reynolds	Skyline County Water District
Rick Wykoff	Estero Municipal Improvement District

Committee Members Absent:

Pete Nelson	California Water Service Company
Ira Ruskin	City of Redwood City

BAWSCA Staff Members Present:

Arthur Jensen	General Manager
Nicole Sandkulla	Senior Water Resources Planner
Lourdes Enriquez	Assistant to the General Manager
Ray McDevitt	Hanson, Bridgett, Marcus et al.
Bud Wendell	Management Communications