

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
July 20, 2006 – 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, Bern Beecham, called the meeting to order and led the flag salute. The General Manager and Secretary, Art Jensen, called the roll. Eighteen (18) members were present, constituting a quorum. A list of directors present (18) and absent (9) is attached.

2. Comments by the Chair – Chair Beecham announced the retirement of Roberta Cooper as Mayor for the City of Hayward. She has resigned her positions on the BAWSCA and Regional Financing Authority boards. Hayward is expected to appoint a new director.

3. Board Policy Committee Report: At its meeting on June 14, 2006, the board policy committee received reports on the 2006-07 wholesale water rates, the scope of work for the economic impact of the water shortage – Phase 2, and the Integrated Regional Water Management Plan for nine Bay Area Counties. The committee also received a status report on AB 2236 which revises Los Trancos Water District’s water supply operations to Cal Water’s water supply, and removes the district from both BAWSCA and RFA. The committee voted unanimously to recommend board approval of the items on the agenda. The items include adoption of BAWUA’s budget for FY 06-07, authorization for the general manager to negotiate and execute contracts with WaterWise Consulting for Water Education Program and San Jose Water Conservation Corporation for the implementation of the High Efficiency Toilet Program.

4. General Manager’s Report: Mr. Jensen pointed out that the photos cycling on the projector screen are samples of the photos that will be used in the water efficient landscaping and gardening CD guide that is being developed for the BAWSCA service area.

AB 2236 was passed by the House and Senate today, and was signed by the Governor. The legislation removes Los Trancos from the BAWSCA and RFA boards of directors due to its water supply operations being sold to the California Water Service Company. If signed by the governor, the legislative change will be effective January 1st and will have minimum, if any, impact to the board’s weighted voting procedure. A revised table will be brought to the board at its meeting in January 2007.

a) Water System Improvement Program – Quarterly Report: Mr. Jensen summarized BAWSCA’s role in providing input to the SFPUC projects during development and comments on project alternative analyses. BAWSCA also maintains operational interface with agencies, and anticipates and examines construction impacts. Nicole Sandkulla’s regular meetings with SFPUC’s consultants, staff and project managers have been able to resolve questions about specific projects, costs and schedules. The meetings have been beneficial for both sides. Mr. Jensen gave examples of specific matters reviewed and issues

raised. He noted that it is important to assess whether concerns have significant impacts on project schedules or budgets. For example, if intermediate project milestones are delayed or deferred to later project phases, staff investigates whether the delays will affect overall project completion and budget, and whether SFPUC has considered means to mitigate the delays.

Mr. Jensen reported that SFPUC management have instituted a quality assurance and control process with eight independent reviews including peer reviews, cost reviews at different levels, constructability reviews, and reviews by a steering committee to maintain the projects' integrity.

Art commented that the transparency of the SFPUC's work and BAWSCA's ability to ask questions and have input is encouraging. Director Seidel commented that the risks involved in construction delays associated with alternative selection appear to be acceptable to San Francisco. Mr. Jensen cited a recent decision by SFPUC management to continue design in parallel with a localized environmental assessment as an example of how the SFPUC is managing both risk and project schedules.

- b) Economic Impact Analysis Phase 2 Proposal:** A second phase analysis of the economic impacts of drought shortages will provide valuable informational to BAWSCA agencies for identifying the potential effects of water shortages and policy actions needed to mitigate the impacts. Mr. Jensen reported that the SFPUC has a contract in place to implement the second phase study. The goal is to publish the report by the time the Program Environmental Impact Report (PEIR) is released. The study will be a joint effort by Public Financial Management (PFM) and the Bay Area Economic Forum (BAEF). The task plan and cost estimate of the study was developed by the two groups. It was recently revised to incorporate BAWSCA's comments and suggestions.

Wholesale Water Rate Adjustment – FY 2006-07: BAWSCA's Senior Administrative Analyst, John Ummel reported that SFPUC's Wholesale Water Rate Adjustment for FY 2006-07, finalized in June, is \$531 per acre foot. The adjustment was effective July 1, 2006, and is an increase of 19.6 percent. During FY 2006-07, the impact of the increase to the average homeowner in the BAWSCA service area is \$3 or more per month. The new rate is comparable to other wholesale water providers in the metropolitan areas of the Bay Area and of the Mid West.

In February, the SFPCU initially estimated a 17 percent increase would be needed. BAWSCA regularly reviews purchase projections, the cost to operate and maintain the system, and overpayments or underpayments that affect rate setting. BAWSCA confirmed that the increase is based on sound assumptions, and reflects that actual water sales were lower than projected during this past spring.

Mr. Ummel stated that rate increases during the early stages of the WSIP, which is in the next three to four years, will be moderate. When the capital projects are completed and agencies begin to pay back its share of those projects, the average wholesale rate increase will be 27% per year.

In response to a question from Director O'Mahony's, Mr. Ummel stated that an independent audit of the actual water usage and sales projections was done in December, and a report was released in June. Director Seidel commented that because rates will triple

nine years from now, the calculation to forecast the rates from year to year is going to become more critical and sensitive to the accuracy of the projections.

- c) **Department of Water Resources Report on the proposal to drain Hetch Hetchy:** A supplemental packet was made available to provide the internet address in which the report from the Department of Water Resources can be viewed, copies of several newspaper articles, and statements made by BAWSCA, SFPUC and Senator Diane Feinstein.

Mr. Jensen stated the report is carefully-balanced, quantifying the issues that affect those who rely on the water supply, yet maintaining that the proposal can be done given enough money. The report leaves the question of whether Hetch Hetchy should be drained remains unanswered. The report cites issues BAWSCA and others have raised. The report concludes that there are large gaps in the existing data, and that the estimated cost to replace facilities and restore the valley ranges from \$3 to \$10 billion. The report states that federal participation would be necessary to drain the reservoir, and additional studies worth up to \$20 million would be needed before a study of financial feasibility could even begin.

While the report does not suggest moving forward, but it describes necessary next steps and presents three management structures under which future work could be undertaken. The report mentions global warming, but it was not cited as a cause for the proposal to be abandoned.

Assembly Member Lois Wolk is reportedly interested in scheduling legislative hearings in August. Her office indicated that dates for the hearings have not been set yet. BAWSCA's position has been that the proposal is not for the benefit of the water users, and therefore the water users should not have to pay for it. He recommended a careful review of the report and of what the reactions are from the State and Federal legislators before taking further actions. Perhaps taking a rigorous look at the impacts of the cost to the agencies can be considered so that the information obtained can be used in a statement should the need to attend hearings come up.

5. **SFPUC Report:** Ms. Leal reported that the WSIP is on budget and on schedule. SFPUC is working with engineers from different parts of the world who have over 20-25 years of solid experience with building dams, large tunnels and pipelines. Ms. Leal stated that she is very pleased and confident with the progress of the program, and with the free flow of information between BAWSCA and SFPUC through regularly scheduled meetings between Art Jensen and Tony Irons, and Nicole Sandkulla and the Project Managers.

Ms. Leal explained that the study of the economic impact of drought has been approved by the commission and the consultants will move forward with the revised task plan.

Ms. Leal stated that SFPUC intends to communicate any volatility in sales that will affect the wholesale water rates. The SFPUC will keep the lines of communication open and will provide the wholesale water rate projections as soon as it can.

The SFPUC will be prepared for the hearings Assembly member Lois Wolk plans to have on the proposal to drain Hetch Hetchy. Ms. Leal stated that the \$10 billion cost to the proposal will take "people's breath away". The report clearly states that it is now up to the federal government to take the lead, and that both Senator Feinstein and Senator Boxer have declared their position as opponents of the proposal. There are no indications that their positions have

changed. Ms. Leal stated that given the DWR's recent report on global warming, one should be arguing for the dam to be raised.

Ms. Leal reported that the SFPUC will be looking at the potential impacts of global warming, and its effects on the Sierra Nevadas. The President of the commission wants to consider collaborating with coastal cities that would be severely impacted.

Chair Beecham thanked Ms. Leal and the SFPUC for the consultative process it had with BAWSCA regarding the drought analysis.

6. Public Comments: Members of the public spoke against chloramines, about water storage in California, and water quality.

Heather Dempsey of the Tuolumne River Trust encourages BAWSCA's aggressive conservation programs, and announced there will be a 2-day briefing in September regarding sustainable water supply planning.

7. Consent Calendar:

M/S/C (O'Mahony / O'Connell / Unanimous) that the Minutes of the May 25, 2006 BAWSCA Board meeting be approved with the corrections recommended by Director Seidel; the Monthly Budget Status Report be received and filed; the Proposed FY 06-07 Budget for BAWUA be adopted; and the contract with Water Wise Consulting for the School Education Program be authorized.

8. Action Calendar

BAWSCA's Water Resources Planner, Benjamin Pink provided an overview of the Direct-Install High-Efficiency Toilet and High-Efficiency Urinal Replacement Program. The program was originally presented to the Board Policy Committee in August 2005, and received the committee's full support. On May 12, 2006, staff issued a Request for Proposal (RFP) to identify a contractor qualified to implement the program. Two candidate consultants, WaterWise Consulting and San Jose Water Conservation Corporation, were found capable to perform the work.

The program replaces older, inefficient toilets with ones that use no more than 1.3 gallons of water per flush. The installation will be done by a licensed plumbing contractor free of charge to the water customers. Additional work that may be required other than installation of the toilet will not be the contractor's responsibility. The contractor selected will be responsible for marketing the program, purchasing the toilets, and warehousing and recycling the old toilets. The cost ranges from \$270 to \$334 per toilet installed. The program will be extended to all BAWSCA member agencies, and participation will be voluntary. Participating water agencies pays for the cost of the program, which will be targeted to multi-family housing and commercial industrial sites. The program will be for the FY 2006-07, with an option to renew.

The BAWSCA Water Resources Committee supports the implementation of the program.

M/S/C (Wykoff/Weed/Unanimous) that the board of directors authorize the General Manager to negotiate and execute a contract with either San Jose Water

Conservation Corporation or WaterWise Consulting Inc., to implement the Direct-Install HET/HEU Replacement Program for FY 2006-07 subject to legal counsel review, and to offer participation in the program to interested BAWSCA agencies.

9. Special Report: BAWSCA's Local Projects Program

Mr. Jensen stated that BAWSCA has been aggressive in its approach to water conservation and water management in the service area. The objective is to help agencies meet future water needs through water use efficiency and appropriate water supply management activities. BAWSCA's local projects program began in April 2000 at the direction of its member agencies under BAWUA, BAWSCA's predecessor organization. Since that time, BAWSCA has assisted member agencies by developing and implementing conservation programs and by coordinating efforts with other regional entities, such as EBMUD, the Bay Area Water Agency Coalition, the Santa Clara Valley Water District. For example, BAWSCA's participation in the Bay Area Integrated Regional Water Management Plan helps agencies gain access to State grant funds.

BAWSCA's efforts include implementation of regional water conservation, evaluation of water recycling projects and alternative water supply sources for implementation, and securing grant funds to offset program costs and increase customer benefits. Ways to avoid or overcome obstacles are identified and implemented. A list of regional conservation programs currently in place, and are being implemented in 2006 was presented.

Mr. Jensen stated that member agencies have limited contractual water supply assurances. He noted that the PEIR, San Francisco's future decision-making process, the Tuolumne River Trust and activities of other stakeholders introduce uncertainty in future sources of water and water reliability. BAWSCA agencies have already planned on achieving specified levels of conservation and demand by the year 2030. BAWSCA's local projects program helps achieve those levels, puts agencies in control though individual and collective action, and demonstrates wise public policy.

10. Adjournment: The BAWSCA Board of Directors adjourned to the meeting of the San Francisco Bay Area Regional Water System Financing Authority (RFA) at 8:30pm, and reconvened at 8:35pm.

11. Closed Session – Public Employee Performance Evaluation – General Manager: No action was taken during closed session.

12. Directors' Discussion: Comments, Questions and Agenda Requests: None.

13. Adjournment. The meeting was adjourned at 9:50pm

14. Date, Time and Location of Next Meeting: The next meeting is scheduled for September 21, 2006 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
July 20, 2006

Attendance Roster

Present:

Bern Beecham	City of Palo Alto
Randy Breault	Guadalupe Valley Water District
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
Patrick Kolstad	City of Santa Clara
Robert Livengood	City of Milpitas
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
Rick Wykoff	City of Foster City

Absent:

Richard Claire	City of Redwood City
VACANT	City of Hayward
John Fannon	Town of Hillsborough
Stan Gage	Los Trancos County Water District
Mike Kasperzak	City of Mountain View
Chris Mickelsen	Coastside County Water District
Chuck Reed	City of San Jose
Adrienne Tissier	City of Daly City
John Weed	Alameda County Water District
David Woods	City of East Palo Alto