

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
September 20, 2007 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 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. Nineteen (19) members were present, constituting a quorum. A list of directors present (19) and absent (8) is attached

2. Comments by the Chair: Chair Rosalie O'Mahony expressed her concern that San Francisco has not provided its objectives for consideration in the negotiations of a new long term water agreement. The negotiations have been in process for the last eight months. She hopes that the next quarterly progress report from the general manager provides more positive information.

San Francisco's progress on the WSIP and the attention from Ms. Leal, Mr. Irons and their staff is encouraging. The general manager will provide a status report on the studies that San Francisco and its consultants are conducting to determine whether the SFPUC will adopt changes to the WSIP and report it to the State.

Chair O'Mahony stated that she and the general manager believe that San Francisco and BAWSCA can form a better relationship built on customer satisfaction as San Francisco's goal and BAWSCA as the customers.

Chair O'Mahony was pleased to announce that SFPUC President, Ryan L. Brooks will address the board at the November meeting. BAWSCA directors were encouraged to put forward topics for discussion for President Brooks' consideration.

3. Board Policy Committee Report: The committee met on August 8th, and was presented with favorable results of the water conservation efforts, and current water conditions. Updates were provided on the WSIP and review of the draft PEIR, which the general manager will later provide in detail. The committee heard a preliminary review of the report from the Tuolumne River Trust, and staff presented the Bay Friendly Landscape Guidelines as a potential conservation alternative. The committee went into closed session to conduct the performance evaluation of the General Manager. A related packet of materials was previously distributed to each member of the board by mail for this evening's closed session.

4. General Manager's Report: General Manager, Art Jensen reported that Mayor Sweeney, City of Hayward, has appointed Council Member Bill Quirk as his replacement on the boards of directors for BAWSCA and the RFA. Mr. Jensen met with former Director Sweeney who

was pleased with BAWSCA and the direction it is going. He regrets his resignation from the board, however, he had to cut back to fulfill his other obligations. The board welcomed Director Quirk.

Water System Improvement Program Status Report: Mr. Jensen reported that the SFPUC submitted its Annual Report to the State on September 1st as required by AB 1823. The Program Risk Assessment was presented to the Commissioners at its meeting on September 11th. The Commissioners elected to hold workshops to further discuss the analysis. The Annual Report to the State refers to the Program Budget and Schedule Reviews. These analyses are expected to be completed during the first or second quarter of this fiscal year. The Commission noted that once the analyses have been discussed, the Commission will adopt any changes and the State will be notified.

Water Conservation Program Update: The objectives of BAWSCA's water conservation programs remain as previously established by the board. BAWSCA agencies implement water conservation because it saves money for the agencies and its customers, makes efficient use of limited water supplies, is good public policy, extends the useful capacity of the water system, supports the community economic base, and reduces dependence on uncertain water sources and actions by others. A copy of BAWSCA's Water Conservation Annual Report was distributed to members of the board for their reference and use in other venues.

BAWSCA's conservation programs in FY 2006-07 include the Residential Washing Machine Rebate Program (WMRP), which had 3,245 rebates and an estimated water savings of 16.6 million gallons per year. The School Education Program had the participation of 2,871 children who performed home audits of their families' water use. The program had an estimated savings of 17,451 gallons. The Large Landscape Audit Program had an estimated water savings of 179.9 million gallons in FY 06-07.

Twelve Landscape Education Classes were offered between February and April 2006 throughout the BAWSCA area. The classes were sponsored by BAWSCA, Millbrae and Redwood City, and were coordinated with the Santa Clara Valley Water District. Four BAWSCA classes had over 100 attendees. Copies of the Water-wise Gardening in the Bay Area CD-Rom were distributed at the landscape classes to serve as an educational landscaping tool for residences. Nearly 9,000 copies were purchased by BAWSCA and 20 member agencies. Other programs include the implementation of the Direct Install High-Efficiency Toilet Program, sponsorship of native garden tours in the region, and a drought outreach campaign with the concept of "Be a Water Saving Hero".

The existing conservation programs will continue in FY 2007-08 with the addition of new programs. A partnership with PG&E will simplify the process for customers to obtain rebates for both water and power saving devices. A new commercial Washing Machine Rebate Program will be launched, which can save a significant amount of water. Mr. Jensen reported that agency participation in BAWSCA conservation programs has increased in the last five years through the efforts of Nicole Sandkulla and Ben Pink. Participation for FY 2007-08 is expected to be higher.

Current Dry Year Conditions Update: Current weekly water purchases in the SFPUC service area is approximately 14% below 2004 levels, ahead of SFPUC's target level of 10%. Mr. Jensen noted that people should remain mindful of the dry conditions and continue to conserve.

- 5. SFPUC Report:** SFPUC General Manager, Susan Leal, commented that she is pleased to see BAWSCA's presentation on conservation, and how the drought outreach campaign is exceeding the SFPUC's requests for conservation. The SFPUC is pleased with the strong cooperative effort between the SFPUC and BAWSCA on the drought outreach program.

Ms. Leal reported that the San Francisco Planning Department held a hearing on September 20th to hear comments on the draft PEIR for the SFPUC's WSIP. Comments submitted will be analyzed by the Planning Department and the SFPUC will respond to them. The SFPUC hopes to certify the draft PEIR shortly after responses to comments received are provided. Ms. Leal stated that she is emphasizing to members of the media who contact the SFPUC that the WSIP is a seismic reliability program that focuses on the Calaveras, Hayward, and San Andreas Faults. Ms. Leal looks forward to hearing the board's discussion on its proposed comments on the draft PEIR.

Ms. Leal said the Program Risk Analysis that was presented to the commission indicates a healthy program overall, with some potential problems that may occur in the future. Ms. Leal reported that the SFPUC is taking steps to mitigate the potential issues to avoid negative impacts to the collective program. A series of workshops are being scheduled to discuss with the commission and members of the public what needs to be done to mitigate the potential problems. The first workshop is scheduled on September 25th. A second workshop will be scheduled in the second week of October to go through the various action plans.

Director Fannon asked what the potential problems are. Ms. Leal stated that the issues include the rapid program acceleration in construction, and the increased pressure for intensive environmental reviews that require specific expertise in habitat management. Ms. Leal reported that the SFPUC has almost completed an RFP for construction management to prepare for the rapid acceleration in construction.

Chair O'Mahony referred to a series of questions Commissioner Sklar addressed at an SFPUC meeting, particularly the question that the costs might exceed the \$4.3 billion. Chair O'Mahony asked Ms. Leal to report back details once the Program Risk Analysis has been fully explored. Ms. Leal stated that the SFPUC will report back on the detail of the workshops.

6. Public Comments:

Michael Francois, resident of East Palo Alto, spoke against recycled water and commented on Assembly Member Ira Ruskin's bill to study chloramines, Proposition 84, and referred to a statement he noted from Ms. Sokolove.

Peter Drekmeier, Bay Area Program Director for Tuolumne River Trust (the Trust), stated that the Trust supports completing the seismic upgrades to the Hetch Hetchy system as quickly as possible. Mr. Drekmeier commented that the Trust opposes the proposal to divert an additional 25 mgd from the Tuolumne River. The Trust will comment on the draft PEIR focusing on the proposed diversion. A report completed by the Trust and Pacific Institute cites the Trust's

concern that the projections for future water demands are inflated and the potential for conservation and recycling underestimated. Mr. Drekmeier commented on BAWSCA's positive conservation efforts as presented by Mr. Jensen, but referenced that of the additional 35 mgd projected to be needed, sixty percent of the increase will be for landscaping. Mr. Drekmeier stated that with new technologies, there is great opportunity for conservation in landscaping.

Chair O'Mahony stated that Mr. Drekmeier may continue his comments related to the draft PEIR during the board's discussion on the topic included in the agenda.

7. Draft Program Environmental Impact Report (PEIR) on the Water System Improvement

Program Released: Art Jensen stated that the agenda packet included a memo to the board describing BAWSCA's proposed comments on the draft PEIR. A presentation and the board's discussion on the proposed comments can ensure that the comments accurately reflect the priorities of the BAWSCA board of directors. The organization of BAWSCA's proposed comments looks at the WSIP and the PEIR from a regional perspective. Member agencies will provide comments specific to their agencies. BAWSCA's proposed comment letter will have two sections. The first section will have subject matters that convey BAWSCA's major concerns and recommendations. The second section provides detailed comments that correct, clarify and expand the information provided in the PEIR.

Legal counsel, Ray McDevitt, reported that the first theme of BAWSCA's comments emphasizes how the draft PEIR does a good job fulfilling the requirements of the California Environmental Quality Act (CEQA). It provides a comprehensive analysis of the WSIP, its environmental impacts, the ways to mitigate the impacts, and the alternatives to the WSIP as developed by the SFPUC. However, the draft PEIR does not convey the reasons for the WSIP, the extreme urgency for its completion, and the catastrophic consequences of not getting the WSIP completed before the next major earthquake.

BAWSCA's proposed comments will emphasize that the implementation of the WSIP is critical to protect public health and safety in the region. The United States Geological Survey (USGS) currently projects a 60% chance of a 6.2 or greater earthquake between now and 2032. Facilities are old and are mostly built over seismic faults. Communities could be without water for up to 60 days following a major earthquake. Lack of water for basic firefighting and sanitation purposes can threaten public health and safety, and an extended water outage could have an economic impact estimated at \$28 billion. BAWSCA's comments will include documents that support and emphasize the urgent need for the seismic rehabilitation of the regional system.

The second theme of BAWSCA's proposed comments emphasizes that most of the alternatives to the basic WSIP program analyzed in the draft PEIR have serious flaws. An alternative of "No Project" decreases the system's reliability as it continues to age, and the risks to public health and safety remains. Another alternative, "No More Water for Wholesale Customers" is designed to limit growth in the Bay Area. This alternative cannot meet its stated purpose because BAWSCA agencies may secure water from other sources for planned growth. It also promotes displaced growth that would be more environmentally damaging, and puts San Francisco's water rights at risk. A third alternative, "Aggressive Conservation and Recycling by BAWSCA" requires additional conservation and recycling by BAWSCA member agencies

that already have lower water use than anywhere else in the state. With this alternative, the planned rationing target was increased from 20% to 25%, and drought conservation will be harder to achieve because of “hardened” demand. Additionally, a 25% rationing system-wide will have dramatic economic consequences.

BAWSCA’s examination of the alternatives suggest that the environmentally superior alternative, technically referred to in the draft PEIR as Modified WSIP, is the alternative that best addresses the principle adverse environmental effect of the WSIP; diminution in flows and harm to species in the lower Tuolumne River.

Nicole Sandkulla explained that the Modified WSIP implements the 23 mgd planned conservation and recycling in the BAWSCA service area. In addition, it includes a 10 mgd of conservation and recycling in the City of San Francisco, and an additional 5-10 mgd of recycled water, conservation and local groundwater in the BAWSCA service area. Ms. Sandkulla reported that the additional 5-10 mgd is a feasible range based on assessments of alternatives that have been done.

The Modified WSIP proposes to meet the remaining additional water purchases from San Francisco through investments by urban areas in conservation efforts in the agricultural areas of Turlock Irrigation District (TID) and Modesto Irrigation District (MID). The PEIR states that the additional Tuolumne River water sent to the Bay Area is offset by an equal amount of agricultural water conservation. As a result, there would be no decreased flow on lower Tuolumne River. Nicole stated that it is critical to BAWSCA that consideration of this alternative involves no permanent fallowing of agricultural land, in order to maintain the character and lifestyle in the agricultural communities.

The Modified WSIP alternative is more cost effective than many of the alternative measures BAWSCA has looked at for alternative supplies for the area.

BAWSCA’s proposed comments will support this alternative, and will recommend further examination and modification of the alternative to achieve more environmental benefit. BAWSCA sees an opportunity for additional water conservation in the agricultural areas that could save more water and can increase flows in the lower Tuolumne River, providing an environmental benefit. Improving this alternative can allow communities in the BAWSCA service area to augment local conservation and recycling efforts with agricultural conservation, help meet future needs, provide an environmental benefit to the Tuolumne River, and maintain productivity in the agricultural areas of TID and MID.

Director Wykoff asked about the arrangements required with the irrigation districts and Director Fannon asked about the magnitude of the investment involved. Mr. Jensen stated that there would need to be an arrangement with the irrigation district or districts that would want to participate. The preliminary assessment of potential costs indicates that costs would be comparable to the conservation efforts in the Bay Area, and more cost effective than recycled water and desalination. Mr. Jensen clarified that it would not replace local conservation, but will be an addition to it. It is a good investment because it has an environmental benefit.

He emphasized that it is critical that the alternative should not impact the irrigation districts with respect to their water rights or have an adverse effects on the farmers and the people the districts serve. Farmers in the Tuolumne River basin have developed and implemented high-

tech water conservation methods and the approach to this alternative should respect the generations of experience the farmers have in running their businesses.

BAWSCA's proposed comments on the draft PEIR will ask San Francisco to further describe the Modified WSIP and to further evaluate it and include the consideration of additional agricultural water conservation to increase lower Tuolumne River flows.

Director Klein expressed his agreement with what BAWSCA proposes but questions the timing of addressing additional supply from the Tuolumne River now, when the need will not occur until 2020. Mr. Jensen explained that the urgent need is indeed the seismic improvements to the regional system so that the health and safety of the 2.5 million people that live in the San Francisco service area today are protected. But, nothing should delay getting rational and acceptable solutions to the long term issues of incremental increases in demand and considerations of Global Warming and its potential impacts. BAWSCA takes these matters seriously, and hopes that in making enhancements to the Modified WSIP described in the draft PEIR, it addresses the impacts in the lower Tuolumne River.

Mr. Jensen reported that the Environmental Defense wrote Chair O'Mahony a letter pointing out that 1), they agree with BAWSCA on the urgent need to complete seismic improvements to the aging and vulnerable regional system, and that 2) they are pleased and encouraged by BAWSCA's idea. They believe that BAWSCA's recommendation warrants further discussion and consideration.

Director Seidel commented that the current situation of the state water project should also be taken into serious consideration. He asked how long further analyses of the environmentally superior alternative would take and whether it could delay the seismic improvement projects. Art stated that the City and County of San Francisco's response to BAWSCA's comments would presumably be done in the same schedule the City has in responding to all the comments received.

In response to Director Weed's question, Mr. Jensen clarified that BAWSCA's proposal on the environmentally superior alternative does not, and will not, impose operational restrictions within the members of BAWSCA.

Director Breault expressed his support for the proposed outline BAWSCA intends to use in its comment letter on the draft PEIR, particularly with its recommendation with the Modified WSIP. Directors Pierce and Pear also expressed their support for BAWSCA's recommendations on the environmentally superior alternative.

Chair O'Mahony asked for public comment. Peter Drekmeier commented that the draft PEIR used dated studies that provide no baseline information for the health of the Tuolumne River Eco-System. The Modified WSIP plans to withdraw water downstream from Hetch Hetchy, then offsetting the withdrawal from Don Pedro into Lower Tuolumne. The benefit will be in lower Tuolumne but not for the 25 miles between Hetchy Hetchy and Don Pedro. He said there are modeling flaws, and the issues of global warming are not addressed in the document. Mr. Drekmeier reported that the Tuolumne Farm Bureau and Tuolumne Utilities District are opposed to additional withdrawals. He pointed out the irrigation districts have not agreed to

what BAWSCA recommends. The Trust wants to work together in moving forward with the seismic retrofits, and encourages aggressive conservation and recycling.

Additional Public Comments were received from Wynn Grcich and Michael Fancois.

Mr. Jensen summarized the Board's reactions to BAWSCA's proposed comments on the draft PEIR. 1) BAWSCA will include corrections and clarifications of facts where it is needed. 2) BAWSCA supports further evaluation of the environmentally superior alternative including the recommendations presented to the board. 3) BAWSCA's comments will include discussion and recommendation for further evaluation of demand hardening and drought reliability.

8. Consent Calendar:

M/S/C (Fergusson/Seidel/Unanimous) that the Minutes of the July 19, 2007 BAWSCA Board meeting be approved; that the Monthly Budget Status Report, Monthly Investment Report, and Directors' Reimbursement Report be received and filed.

9. Directors' Discussion: Comments, Questions and Agenda Requests: Director Seidel reported that most of the comments he heard at the public hearing on the draft PEIR held in Palo Alto were about the issue of additional diversions from the Tuolumne River.

Director Swegles noted that the conference of the National League of Cities is at same time as the board meeting in November, and may cause some conflicts for those whose agencies are members of the league.

Director O'Mahony noted that the efforts of Legal Counsel and John Ummel on the Suburban Revenue Requirements for FY 2003-04 and 2004-05 has captured a significant amount of money owed to the BAWSCA agencies. The continuing effort over the last ten years has recovered over \$8 million for our agencies.

10. Adjournment to Closed Session: The meeting was adjourned to closed session at 9:05

11. Following Closed Session, the board reconvened to Open Session at 9:20. Chair O'Mahony reported that the board discussed the recommendations by the Board Policy Committee in Closed Session.

M/S/C (Fergusson/Livengood/Quirk abstained) that:

1. the general manager's automobile allowance be increased to \$650 per month.
2. the general manager's salary be increased by the same cost of living increase applied to other positions, and that the general manager's salary be further adjusted by a merit increase of 10 percent, effective the first pay period in FY 2007-08.
3. the general manager be permitted to use the title of general manager and chief executive officer.
4. the chair of the Board of Directors be authorized to sign an amended employment agreement between BAWSCA and the general manager incorporating these changes.

12. Adjournment: The meeting was adjourned at 9:35. After a review of the calendar, Chair O'Mahony announced that the board meeting for November 15, 2007 will be held as scheduled. She hopes that Directors can be present to participate in the two-way discussion with Commission President Ryan Brooks.

13. Date, Time and Location of Next Meeting: The next meeting is scheduled for November 15, 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
September 20, 2007**

Attendance Roster

Present:

Randy Breault	Guadalupe Valley Water District
John Fannon	Town of Hillsborough
Kelly Fergusson	City of Menlo Park
Mike Goff	Stanford University
Marc Hershman	City of Millbrae
Larry Klein	City of Palo Alto
Patrick Kolstad	City of Santa Clara
Robert Livengood	City of Milpitas
Rosalie O'Mahony	City of Burlingame
Matthew Pear	City of Mountain View
Barbara Pierce	City of Redwood City
Tom Piccolotti	North Coast County Water District
Bill Quirk	City of Hayward
Dan Seidel	Purissima Hills Water District
Ron Swegles	City of Sunnyvale
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:

Cyril Bologoff	City of Brisbane
Robert Craig	Westborough Water District
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Chris Mickelsen	Coastside County Water District
Irene O'Connell	City of San Bruno
Chuck Reed	City of San Jose
Chris Reynolds	Skyline County Water District