

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE**

**April 11, 2007– 1:30 p.m.
155 Bovet Road, 1st Floor Conference Room**

MINUTES

1. Call to Order: 1:30 p.m.

The meeting was called to order by committee Chair, John Fannon at 1:30. Eight (8) members of the committee were present, constituting a quorum. A list of directors present (8) and absent (1), and members of the community attending is attached.

2. Public Comments: There were no public comments.

3. Reports:

- a. Comments by Chair: Committee Chair John Fannon asked General Manager, Art Jensen, to provide the committee an update on the water supply outlook for the San Francisco regional water system.

The committee voted unanimously to add the item of water supply outlook to the agenda for discussion.

- b. General Manager's Reports:

Water Supply Outlook for the San Francisco Regional Water System: Mr. Jensen reported that the SFPUC discussed the topic at its meeting on April 10, 2007 and a press conference was held in front of City Hall in the morning of April 11, 2007.

BAWSCA was alerted to the current water supply outlook by the SFPUC's hydrological report for March 2007. The water supply assessment indicates that precipitation in March was 27% of normal. There is little or no Sierra snowpack. Even if the system's reservoirs fill up in June as expected, there will be little or no water stored as snow. Art stated that if no further rainfall occurs, this year will be the 4th driest year on record since 1919. Mr. Jensen added that with the Calaveras Reservoir being under State order to store no more than 1/3 full of its capacity, a 10% water use reduction may be needed to avoid more stringent reductions.

The SFPUC has not declared a water shortage emergency or mandatory rationing. It is calling for a voluntary water use reductions by water customers throughout the service area to manage a limited water supply. BAWSCA's statement released on April 11th supports this prudent approach and asks customers to continue their ongoing water conservation efforts and take further steps to reduce water use.

The Interim Water Shortage Allocation Plan (IWSAP) implemented through two agreements, specifies how water shortages are administered during voluntary and mandatory water use reductions. The IWSAP was developed during a non-drought period to avoid having to develop rules and procedures during a crisis.

One agreement is between San Francisco and BAWSCA agencies. It specifies that San Francisco must determine how much water is available, defines the portions available to San Francisco and the BAWSCA agencies, and puts forth a sequence of events for administering water use reductions.

A second agreement is between the BAWSCA agencies. It specifies the formula for distributing their collective share among the BAWSCA agencies. Some agencies must reduce use more than others. BAWSCA performs the calculations and provides the results to the agencies and San Francisco.

The agreements are interim, and will expire concurrently with the Master Contract in 2009. The agreements are only applicable for system-wide shortages of 20% or less.

Mr. Jensen reported that the Technical Advisory Committee (TAC) has been notified of the water supply outlook through a memo distributed via email. The email was copied to the members of the board. BAWSCA and the SFPUC are scheduled to meet on April 16th to review the water supply assessment and the schedule of required actions to formalize water use reductions. BAWSCA will continue to communicate further information about the situation and potential implications to the TAC and members of the board.

No action was taken by the commission at its meeting on April 10th. Mr. Jensen reported that several issues, including water rate increases, were raised as potential impacts of water use reductions. San Francisco will monitor system wide water use to determine whether mandatory rationing will be necessary. Wholesale water rate adjustments may be released towards the end of Spring, and could be affected by water-use reductions.

Mr. Jensen stated that BAWSCA has a list of suggested activities for customers to reduce water use, and that information will be circulated to staff of member agencies. BAWSCA will leave it up to each agency to implement activities in their areas. Other water agencies such as the East Bay Municipal Utility District (EBMUD) are also considering water use reductions. Mr. Jensen stated that he and other managers in the Bay Area Water Agencies Coalition (BAWAC) discussed developing a regional message to reach customers throughout the Bay Area.

Director Wykoff stated that more time and effort should be devoted to exploring alternative water sources that are reliable and uninterrupted. Hetch Hetchy water is pure and pristine, but it is not reliable and uninterrupted. Director Wykoff expressed his concern that a time will come to prove that alternative water sources such as desalination should have been pursued rather than deferred, and other alternatives given more serious consideration.

Mr. Jensen reported that the PEIR for the WSIP is looking at how to meet water demands with reliability in a 10% to 20% system wide cutback. A study of the economic impacts of a 10% to 30% water supply shortage is nearing completion. Both documents will provide further information that would be valuable to San Francisco and BAWSCA member agencies in deciding how to pursue alternative water sources.

Ms. Sandkulla informed the committee of a regional desalination feasibility study jointly funded by Contra Costa Water District, Santa Clara Valley Water District, East Bay Municipal Utility District, and San Francisco. Marin Municipal Water District is also considering how to move forward with its desalination efforts.

WSIP – Response to Directors’ comment at March 15th board meeting: Mr. Jensen reported that the SFPUC’s release of the draft PEIR has been delayed to ensure conformance with evolving project definitions and concurrent project-specific environmental work. The delay also provides time for internal review and QA/QC. Mr. Jensen stated that the draft PEIR’s new publish date of Mid-June impacts BAWSCA work schedules and spending for the remainder of the current fiscal year and FY 2007-08.

BAWSCA’s review and comment on the draft PEIR will focus on areas that are common to all agencies. The comments will be circulated to the TAC for their agency’s individual review and comment of the document pertaining to areas specific to their agencies. An internal review session will be scheduled with the TAC upon release of the draft PEIR.

The committee was presented with the following responses to the comments made by board members at the March 15, 2007 board meeting.

- How can the delay in the PEIR not impact the program?
BAWSCA is reviewing details of this determination with SFPUC staff. SFPUC will address this issue at the may BAWSCA board meeting.
- How is cost escalation being taken into account?
Cost escalation is being examined in the project risk assessment being completed by a consultant with the SFPUC.
- How did the SFPUC obtain such good correspondence between engineer’s estimates and construction bids?
The SFPUC will address this topic at the May board meeting.
- Will agencies be promptly notified of schedule changes that might affect local project schedules and community impacts?
The SFPUC will address this topic at the May board meeting.
- Can we be provided with more concrete measures of progress?
Its about three years too early for such measures to be meaningful.

Mr. Jensen reported that the study of economic impacts of drought shortages being completed jointly by Public Financial Management (PFM) and the Bay Area Economic Forum (BAEF) will be released by the end of April. BAWSCA received an oral

presentation on findings to date with the consultant team and there was some technical information that required follow up. Policy recommendations have not yet been presented.

Pending Release of Water Efficient Landscaping CD: The water efficient landscaping CD will be available in May. Distribution to customers in the service area will be done through the agencies. The CD is a user-friendly guide to attractive gardening that saves water, money, and extends water capacity and preserves water supply. The committee was pleased that the release of the CD is in good timing with the current water supply condition. It was suggested that additional information on drought guidelines should be added to the website.

4. Action Calendar:

- a. Approval of the Minutes from the April 11, 2007 Meeting:

M/S/C (O'Mahony/Guzzetta/Unanimous) that the minutes of April 11, 2007 be approved.

- b. FY 2007-08 Results to be Achieved and Proposed Budget: Mr. Jensen reported that reallocations at midyear did not increase the current budget for 2006-07. BAWSCA will complete the year at approximately \$288,000 below budget, and perhaps more. Unspent funds are deposited in BAWSCA's reserve fund. The proposed FY 2007-08 budget is \$217,063 or 9.5 percent higher than the current year. Most of the increase in the proposed budget will cover additional resources needed for negotiation of a new agreement with San Francisco. A portion of it will cover a new water conservation effort.

The committee discussed the results to be achieved during FY 07-08, and the activities not included in the budget. Mr. Jensen reminded the committee that there will be no funds allocated to the purchase of dry year water supplies. The preliminary FY 07-08 budgets for the RFA and BAWUA, and the proposed costs for each consultant were presented to the committee. Art stated that committee and board members have expressed a preference for the funding alternative that maintains the current level of assessments. This alternative uses an amount of the BAWSCA reserve that provides a beginning reserve balance equivalent to 22% of the operating budget. A second alternative is to increase assessments and use the BAWSCA reserve while maintaining a beginning reserve balance equivalent to 29% of the operating budget. The budgeting guideline is 25% of the operating budget.

Art recommends the first option, and stated that he is open to suggestions committee members may have on the use of the reserve. The committee voted unanimously to recommend board adoption of the proposed workplan and budget for FY 2007-08 as presented.

Director Fannon suggested clarification on the total consultant costs. Additional budget comments from committee members included an inquiry from Director Guzzetta about the staff time involved in implementing conservation programs, and whether BAWSCA has ever looked into a multiple year budget. Mr. Jensen said that staff time devoted to implementation of conservation programs is about 5%, and it is expected to increase. In regards with a multiple year budget, BAWSCA is willing to look at the option. Art

explained that, unlike a typical water agency, much of the work depends on what is happening, which makes it difficult to predict.

Director Fergusson asked about the status of the how California Seismic Safety Commission's (CSSC) recommendations relating to BAWSCA member agencies' local systems are being addressed. Mr. Jensen reported that BAWSCA member agencies have been taking action since a reliability study was released by the SFPUC in 2000. BAWSCA has encouraged its agencies to look at their systems and prepare to demonstrate what has been done to address CSSC's recommendations.

In February 2007, the Joint Legislative Audit Committee (JLAC) wrote a letter to Susan Leal and Art Jensen following up on the recommendations made by the CSSC. Mr. Jensen would like to make sure that the policy bodies of each agency are aware of the recommendations, pursue the issue with their staff, and be prepared to demonstrate how their agency is addressing CSSC's recommendations. BAWSCA has no authority to require the agencies to perform this work.

The committee discussed whether Mr. Jensen should maintain a coordinating role with the member agencies or rely on agencies to address CSSC's recommendations. Mr. Jensen will discuss the item with the board at the May meeting.

M/S/C (Wykoff/O'Mahony/Unanimous) that the Board Policy Committee recommend board adoption of the proposed FY 2007-08 budget of \$2,508,967 and the recommended funding plan using \$391,000 from the BAWSCA reserve, and maintaining the current assessment rate

- c. Priority FY 2007-08 Professional Services Contracts: The list of consultants that need to be in place by July 1, 2007 was presented to the committee. A staff memo and scope of work for each consultant was included in the agenda packet for the committee's review.

Ms. Sandkulla went over the details of the Water Wise School Conservation Education Program, explaining that the program consultant coordinates with each participating agency and manages the program from beginning to end. The program was well-received by agencies in FY 06-07, and teaches 5th graders of the value of water.

Committee members asked about the value BAWSCA gets from the technical consultants. Ms. Sandkulla explained that a consultant such as Dr. William Ibbs provides the expertise BAWSCA needs in reviewing the SFPUC's quarterly progress report on the WSIP. Dr. Ibbs's proficiency on project scheduling and construction management augments Dale Newkirk's expertise with water system planning, design and operation, as well as his knowledge of how the regional water system operates. This provides BAWSCA with a clear synopsis of the WSIP to be able to address concerns and identify potential obstacles.

The committee suggested that additional information be included in the staff memo to the board regarding the professional services consultants that staff will seek board approval for. The value provided to BAWSCA, an explanation of the not-to-exceed contract, and how BAWSCA manages the agreements would be helpful for the board.

Following discussion, the committee members voted unanimously to recommend board approval of the professional services contracts.

M/S/C (O'Mahony/Fergusson/Unanimous) that the committee recommend the board of directors to approve the contracts for legal, engineering, financial, strategic and water conservation services at its May board meeting

- d. Three-year Professional Services Contract for Auditing Services: A three-year contract with C.G. Uhlenberg for auditing services of BAWUA's and BAWSCA's financial statements will end in June 2007. A new three-year contract with C.G. Uhlenberg is recommended because of their good record of performance and reasonable cost. A conventional limit on an auditing firm's consecutive engagement with an organization is six years. At the end of the three year contract, BAWSCA will put out Request for Proposals for a new auditing firm. The committee voted unanimously to recommend board authorization for the general manager to enter into a new contract with C.G. Uhlenberg.

M/S/C (Wykoff/O'Mahony/Unanimous) That the Board Policy Committee recommend the board to authorize the general manager to negotiate and execute a three- year contract with C.G. Uhlenberg for audit services

5. Adjournment: The next meeting is scheduled for June 13, 2007, at 1:30pm in the first floor conference room of the BAWSCA office building, 155 Bovet Road, San Mateo.

Respectfully submitted,



Arthur R. Jensen, General Manager and Secretary

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board Policy Committee
April 11, 2007**

Attendance Roster

Committee Members Present:

John Fannon	Town of Hillsborough
Robert Craig	Westborough Water District
Kelly Fergusson	City of Menlo Park
Rob Guzzetta	California Water Service Company
Patrick Kolstad	City of Santa Clara
Rosalie O'Mahony	City of Burlingame
Chris Reynolds	Skyline County Water District
Rick Wykoff	Esteros Municipal Improvement District

Committee Members Absent

Cyril Bologoff	City of Brisbane
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BAWSCA Staff Members Present:

Arthur Jensen	General Manager
John Ummel	Senior Administrative Analyst
Nicole Sandkulla	Senior Water Resources Engineer
Ray McDevitt	Hanson, Bridgett, Marcus et al.

Guests:

Vivian Blomenkamp	League of Women Voters
Jane Ratchye	City of Palo Alto
Sharyn Saslafsky	San Francisco Public Utilities Commission