

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

**December 13, 2006– 1:30 p.m.
155 Bovet Road, 1st Floor Conference Room**

MINUTES

1. Call to Order: 1:35 p.m.

The meeting was called to order by committee Chair, Rosalie O'Mahony at 1:35. 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: Chair Rosalie O'Mahony welcomed directors Bob Craig and Patrick Kolstad as the new members of the committee. Director John Fannon was unable to attend, but looks forward to his participation on the committee. Chair O'Mahony looks forward to the involvement of the new members in advising the general manager and the board of directors on policy matters.

b. General Manager's Reports:

Water System Improvement Program – Quarterly Progress Report: The Quarterly Progress Report dated November 15, 2006 from the SFPUC is currently under review by BAWSCA's technical team. Nicole met with the group, and their preliminary assessment of the report provides a lower level of confidence in our ability to state whether San Francisco will complete the program on scope, on schedule and within budget. There are continued concerns with changing project scopes, schedule delays and increasing costs. The delay of the Program Environmental Impact Report (PEIR) from November 2006 to March 2007 is not reflected in the report. Project scope and schedule changes are inconsistently reflected in the reports and have not been adopted by the commission. The State must be notified if San Francisco adopts revised schedules that delay or defer projects. Because revised project schedules have not yet been adopted, the State has not yet been notified of the project delays. Project schedules are currently undergoing extensive review by the SFPUC. Because the schedules are expected to change, at this time, it is not possible to answer the question of whether the WSIP is on schedule.

Project schedules and alternative project delivery mechanisms are currently being examined by San Francisco, and a review of project-specific environmental needs and operational requirements is due in February 2007. A review of project cost increases due to rising costs for construction materials and labor is due in February 2007. Committee members recalled

that one director asked at the November board meeting whether anyone thought the program would come in on schedule and budget, and no one responded.

Committee members expressed frustration that changing schedules prevented a clear assessment of program progress, and changing project scopes could mean the budget is met by reducing the product. They asked what could be done if progress was unacceptable.

Bud Wendell, strategic counsel, commented that the policy committee will have to consider what options it has, and that the board will have to make a decision on what actions to take. The issue with the WSIP may no longer be staying within the \$4.3 billion. It may be identifying the correct figure.

Art noted that when BAWSCA was concerned a year ago that the program revisions were not proceeding toward a fixed date for adoption, Mayor Newsom was helpful in providing a clear, written commitment.

The committee considered Mr. Wendell's suggestion of taking the issue to the Mayor, the media, and members of the legislative community, and recognized the importance of unity. The committee considered that a meeting with Mayor Newsom would be a reasonable next step if San Francisco cannot satisfactorily demonstrate its ability to meet scope, schedule and budget.

Timing of wholesale water rate setting: Mr. Jensen reported that he wrote a letter to Susan Leal regarding the timing of wholesale water rate adjustments for FY 2007-08. The letter suggests that wholesale rate adjustments be finalized prior to March 15, 2007 so that wholesale customers can incorporate the rate change into their next year's budget, and provide the 45 day notice of rate change as required by Proposition 218. The SFPUC is required to provide a 45-day notice to their in-city customers, but not to the wholesale customers.

Water Education Foundation tour of the Hetch Hetchy system : The Water Education Foundation will conduct a tour of the Hetch Hetchy water system on July 11, 12, and 13. A notice about the tour has been distributed by email to all BAWSCA board members and directors are encouraged to sign up as soon as possible, as spaces fill up quickly. Art will speak on the tour. BAWSCA will make a monetary contribution of \$2,000 to help sponsor the tour.

a. **Action Calendar:**

a. Approval of the minutes from the October 11, 2006 Meeting:

M/S/C (Reynolds/Fergusson/Unanimous) that the minutes of October 11, 2006 be approved.

b. Commercial Institutional Industrial (CII) Washing Machine Rebate Program (WMRP):

Art reported that BAWSCA recently learned of an opportunity for a new water conservation program that can be combined with energy conservation, and is currently

examining an opportunity to partner with the energy utilities to implement a Commercial Industrial Institutional Washing Machine Rebate Program (CII WMRP) that would promote both energy and water use efficiency. The California Public Utilities Commission (CPUC) has identified that older commercial washers used in establishments such as hotel facilities, laundromats, and multi-family housing can be energy intensive. CPUC is providing energy utilities substantial funding for an energy-efficient rebate program targeted to commercial customers that purchase new high-efficient washing machines. A contractor team that will market the program and process the energy rebates is already in place. BAWSCA is evaluating the opportunity to partner with energy utilities and offer a new water conservation program that can be combined with energy conservation. The program's administration will be similar to the residential WMRP. Participating agencies will pay for all program costs. Agreements necessary to implement the program will be reviewed with legal counsel. BAWSCA's Water Resources Committee has reviewed the opportunity.

M/S/C (Beecham/Kasperzak/Unanimous) That the Board Policy Committee recommend the board authorize the general manager to negotiate and execute an agreement, subject to legal counsel's final review, with the rebate processor for the energy rebates to implement a CII WMRP, and offer participation in the program to interested BAWSCA member agencies.

- c. Water Education Foundation (WEF) Hetch Hetchy Tour: Like all WEF tours, the July 2007 Hetch Hetchy tour will provide an objective overview of the system, looking at a variety of water supply and environmental issues. Going on the tour will be beneficial to BAWSCA board members, particularly for those who have never seen the system. The Rules of the Board allow the Board Chair to determine whether an activity is beneficial to the agency and the extent to which costs will be reimbursed by the agency. The committee carefully discussed how participating directors might be reimbursed for the costs associated with the tour. Tickets, which include meals, transportation and lodging for 3 days and 2 nights, cost \$625 per person.

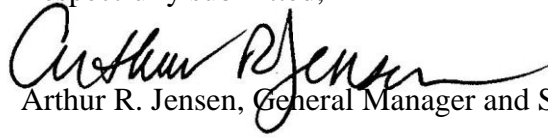
The committee considered the WEF tour cost, compensation for meeting attendance, and the costs for travel to the starting location in the Bay Area. The general manager informed the committee that he intended to purchase 10 WEF tickets under his discretionary spending authority, and make those spots available to interested board members who were unable to register in time. Any unused tickets could be returned to the WEF or sold at cost to member agencies who wanted to send staff members.

Committee Action:

- **The committee concurred with the Board Chair's desire to limit compensation and reimbursement to the WEF cost, if the director's agency had not already covered the cost.**
- **The committee advised the general manager to review WEF's cancellation policy prior to making the purchase.**

- d. Mid-Year Budget Review: Art reported that a review of all planned activities and anticipated work for FY 2006-07 can be performed within the originally set budget adopted in May 2006. A minor reallocation of budgets between tasks within legal counsel's scope of work will accommodate changes in the levels of effort associated with planned activities. The changes are within the general manager's authority, and require no board action.
5. Adjournment: The next meeting is scheduled for February 14, 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
December 13, 2006**

Attendance Roster

Committee Members Present:

Rosalie O'Mahony	City of Burlingame (Chair)
Bern Beecham	City of Palo Alto (Vice-Chair)
Robert Craig	Westborough Water District
Kelly Fergusson	City of Menlo Park
Mike Kasperzak	City of Mountain View
Patrick Kolstad	City of Santa Clara
Chris Reynolds	Skyline County Water District
Rick Wykoff	Esteros Municipal Improvement District

Committee Members Absent

John Fannon	Town of Hillsborough
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BAWSCA Staff Members Present:

Arthur Jensen	General Manager
John Ummel	Senior Administrative Analyst
Lourdes Enriquez	Assistant to the General Manager
Ray McDevitt	Hanson, Bridgett, Marcus et al.
Bud Wendell	Management Communications

Guests:

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