

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING****March 20, 2008 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:10 pm

BAWSCA Chair, Rosalie O'Mahony, called the meeting to order and led the salute of the flag. Art Jensen, called the roll. Twenty-two (22) members of the board were present, constituting a quorum. A list of directors present (22) and absent (5) is attached.

2. Comments by the Chair: Chair O'Mahony reported that Assembly Member Ira Ruskin met with San Francisco Mayor Gavin Newsom and his staff consisting of Ed Harrington, Tony Irons, and Director of Government Affairs, Nancy Kirshner-Rodriquez. With Assembly Member Ruskin were herself, San Jose Mayor Chuck Reed, Art Jensen and Bud Wendell. The purpose of the meeting was to request Mayor Gavin's support for AB 2437, his assurance that San Francisco will do its part to complete the new water agreement by the June 30, 2009 deadline, and his commitment that San Francisco will treat BAWSCA's member agencies, their customers, and the water users in San Francisco, as valued customers who deserve to be satisfied with San Francisco's product and service.

The meeting was short and successful. Mayor Newsom's letter to Assembly Member Ruskin following the meeting, demonstrates his leadership on issues that are critically important to BAWSCA, the member agencies and its customers. Mr. Jensen will provide his perspectives and details of the meeting in his General Manager's report.

3. Board Policy Committee Report: Committee Chair John Fannon was absent and Chair O'Mahony asked that directors read the summary report of the February 13, 2008 committee meeting included in the board agenda packet.**4. General Manager's Report:**

Announcements: Mr. Jensen announced the new member of the BAWSCA and RFA boards, Councilmember Daniel Quigg, appointed by the City of Millbrae.

FPPC Forms 700 are due to BAWSCA by April 1, 2008.

The Association of California Water Agencies (ACWA) Region 5 event is scheduled for April 6th and 7th.

The meeting with Mayor Newsom was held on February 22nd. Key elements of the meeting are summarized in the Mayor's letter to Assembly Member Ira Ruskin. A copy of that letter is included in the board packet.

Water System Improvement Program (WSIP) – Status Report: As reported to the board at its meeting in January, BAWSCA had four major recommendations on the proposed

changes to the WSIP relating to the Sunol Valley Facility reliability, completion of Hayward Fault repairs before 2014, Harry Tracy Water Treatment Plant site geotechnical issues, and quantified probability of meeting the program schedule. The SFPUC staff addressed BAWSCA's first, second and third recommendations in its presentation to the commission. Having a quantifiable assessment of meeting the schedule is important, and BAWSCA will continue to pursue the issue with the SFPUC.

The proposed changes to the WSIP were adopted by the commission on February 26, 2008, and San Francisco will send the notice of changes to the State in March, in accordance to AB 1823. The California Seismic Safety Commission (CSSC) and the California Department of Public Health (CDPH) will have 90 days to review whether the changes create any increased impacts to public health and safety.

The San Francisco Planning Department is preparing the final PEIR and its responses to the comments received. Certification of the PEIR is scheduled in June 2008.

The Planning Department met with BAWSCA to discuss the questions it and the member agencies raised, as well as BAWSCA's comments on the Draft PEIR. BAWSCA will continue to work with the Planning Department to provide other information it may request.

Legislation – AB2437 (Ruskin): Amendments to AB 1823 (Papan, 2002) are contained in AB 2437 (Ruskin). AB 2437 extends State oversight of the SFPUC's WSIP to 2014 and requires San Francisco to address, in its annual progress reports, its plans and timelines for getting projects back on schedule or formally adopting project changes. The bill also updates the name of the State Department of Health Services to California Department of Public Health (CDPH).

AB 2437 is scheduled to go before the Assembly committee on Local Government on April 2nd, and then to the Assembly committee on Water Parks and Wildlife. Letters of support were submitted by San Francisco Mayor Newsom, and several BAWSCA member agencies.

Mr. Jensen went over the actions taken by the San Francisco Board of Supervisors at its meeting on February 12, 2008. Mayor Newsom's re-appointment of Commissioner Ryan Books to the SFPUC was rejected, while the Board of Supervisors failed to reject the re-appointment of Commissioner Richard Sklar. Mr. Jensen reported that Mayor Newsom has since appointed Francis X. Crowley to the SFPUC to fill the vacancy left by Commissioner Ryan Brooks' departure.

The San Francisco Board of Supervisors also placed a Charter amendment on the June ballot that would change the process for appointments of SFPUC Commissioner. If approved by the voters, future mayoral appointments to the SFPUC would require individuals with specified expertise in environmental policy, rate-payer advocacy, project finance and public utilities, plus one at-large member. If approved, current commissioners would be dismissed at noon on August 1, 2008, and new appointees would not be seated until approved by the Board of Supervisors. Currently, the Board of Supervisors has 30-

days to act or the appointment takes place by default. With the Charter amendment, there is no time limit for Board of Supervisors action, which creates the possibility that the SFPUC could have no quorum, and could conduct no business, for an indeterminate length of time. In addition, the approval or rejection of an appointment currently requires a super majority vote by the Board of Supervisors. The Charter amendment would permit an appointee to be rejected by a simple majority vote. BAWSCA will be reviewing the arguments for and against the Charter amendment and will report back to the board.

Director Pierce asked how BAWSCA member agencies might proceed regarding either information for the voters or whether that's a good idea. Legal Counsel, Ray McDevitt reported that no public funds from BAWSCA or any of its member agencies could be devoted to campaigning or advocacy in San Francisco on either side of the proposition. Mr. McDevitt noted that agencies can take positions if they wish, as many do on matters that come up, to announce their views. You can get factual information to know if you feel strongly one way or the other. Ballot arguments were submitted by the San Francisco Chamber of Commerce, San Francisco Planning and Urban Research Association, Mayor Newsom and one San Francisco Supervisor opposing the Charter amendment. Other Supervisors and advocacy groups have submitted arguments in favor of the measure.

5. SFPUC Report:

As designee to the position of General Manager for the SFPUC, Ed Harrington addressed the BAWSCA board. Mr. Harrington reported that Susan Leal continues to recover from the injuries she sustained from the accident in December. Ms. Leal's last day with the SFPUC is March 21st, and Mr. Harrington will be seated as the General Manager in the next ten days.

Mr. Harrington reported that he and Mr. Jensen have been meeting and that progress on the new water agreement and the PEIR will be happening quickly. He noted his working relationship with Mr. Jensen at the SFPUC several years ago, and looks forward to working on the current issues at hand.

6. Public Comments:

Public comments were received from Peter Drekmeier of the Tuolumne River Trust, who noted Menlo Park's water summit in January and encouraged agencies to use Earth Day to promote water conservation and expand their commitments to water conservation programs. Wynn Grcich spoke on her concerns related to water quality. Karen Harwell, of the Town of Portola Valley, referred to a resolution adopted by the council of the Town of Portola Valley supporting the seismic upgrades of the regional water system and urging increased conservation and less reliance on the Tuolumne River.

7. Reports:

Planned Achievements and Preliminary Budget Proposal for FY 2008-09: Art reported that the Board Policy Committee reviewed the results to be achieved in FY2008-09, the preliminary budget, and alternative mechanisms for funding the budget. The preliminary

budget and workplan being presented to the board incorporates the committee's input. Tonight the board is asked to provide any questions and input. A proposed budget will be presented to the Board Policy Committee in April and brought to the Board in May for consideration and action.

Art reported that the mid-year review of the FY 2007-08 budget showed spending was within budget and resulted in no budget adjustments. BAWSCA will complete the current year approximately 8.7% below budget. Unspent funds will be deposited in the General Reserve.

The preliminary budget for FY 2008-09 is approximately \$314,000 or 11% more than the current year's budget. It covers the completion of negotiation for a new water agreement with San Francisco, two one-time studies, and increased operating expenses. Funding the budget would require an increase in assessments and the use of the reserves.

The first of the two one-time study would produce a Water Conservation/Recycling Implementation Plan demonstrating how BAWSCA and its member agencies could achieve their combined commitments to 58 mgd of new water conservation and recycling between now and 2030. The study deliverables would include a 10-year implementation plan showing proposed actions, schedules, costs, and funding alternatives to achieve the 60 mgd of conserved/recycled water. A study budget of \$120,000 is proposed. If the Board approves the workplan and budget, a request of proposals (RFP) would be issued in late May for work to begin in August. Initial work products would be available in time for FY 2009-10 budget development.

The second study is in response to Director Wykoff's suggestion to examine uninterrupted water supplies. The study would look at what can be done and what it would cost to have reliability that goes beyond what the WSIP is intended to provide in response to droughts and other natural or man-made events. The study would be limited to looking at existing information and suggesting what activities should be given further consideration. The study could consider such things as local and regional desalination, water recycling and groundwater utilization. The proposed study budget is \$80,000. RFP's could be issued in the summer of 2008. Work could begin in September, and completed in October 2008.

Mr. Jensen went over the results to be achieved in FY 2008-09, and activities not funded in the preliminary budget. Mr. Jensen noted that during next fiscal year, the board could choose to engage in activities not currently included in the preliminary budget. The budget could be reallocated or funds could be withdrawn from the General Reserve to support any unanticipated activities the board found necessary to pursue.

Mr. Jensen presented how the budget is applied to achieving BAWSCA's goals of reliable, high quality water at a fair price. The budget covers outside professional services, salaries and benefits, and administrative and operating expenses. Mr. Jensen went over the budget for professional services and how the services were allocated to support the negotiations of a new water agreement with San Francisco, WSIP, PEIR, Water Conservation and Regional Management.

Member agency assessments, the general reserve, and reimbursements for water conservation assistance are BAWSCA's sources of revenue. At the advice of the committee, the budget memo includes information taken from the most recent annual water

conservation report showing the total amount agencies paid BAWSCA for implementing conservation programs in FY 2006-07.

The objectives for funding the budget include maintaining an adequate reserve, and avoiding significant assessment increases in the future. BAWSCA follows a budgeting guideline of maintaining a reserve equal to 25% of the total budget.

BAWSCA's general reserve is currently at 27% of the current year's adopted budget. For funding the FY2007-08 budget, no adjustments were made to agency assessments. The projected reserve at the end of this fiscal year is \$690,000. BAWSCA's current budget will be under spent by \$250,000 at the end of the year, and the remaining funds will be deposited into the reserve, bringing the balance to just under a million dollars.

Mr. Jensen presented three alternatives for funding the budget that would increase assessments between 16% and 22% and maintain a general reserve between 20% and 25%. He also presented an option for reducing the FY 2008-09 workplan and budget. Three funding alternatives examined would increase assessments between 6% and 12%, and maintain a general reserve between 20% and 25%.

Mr. Jensen explained that the budget reduction comes from cutting contingency budgets in half, saving \$85,000, and deferring the one time study of uninterruptible water supplies to the subsequent fiscal year. He noted that deferral of the study on uninterruptible water supply until after the conservation study could allow consideration of the significance of demand hardening.

The Board Policy Committee recommended examining having a five-year budget projection. Mr. Jensen explained that the research and development nature of the agency's work and its function of addressing volatile issues makes it difficult to project future activities. However, budget projections can be made through assumptions.

A graph presented BAWSCA's historical budgets, assessments and general reserve balances beginning in FY 2004-05. The same graph presented a three-year projection beginning in FY 08-09. Assuming that the negotiation of a new water agreement with San Francisco is complete, the PEIR is in place, the WSIP is on schedule, and no new problems require attention, the budget may decrease to \$2.5 million, the same level as in FY 2006/07. A 9% increase in assessments over a two year period beginning in FY 08-09 would increase assessments to a level that could fully sustain that sized budget.

Mr. Jensen requested input from the board regarding the results to be achieved, the deferral of the one-time study of uninterruptible water supply, reduction of the budget contingencies, inclusion of 4.185% COLA adjustments to position salaries, and a 9% increase in agency assessments.

Directors Seidel, Klein, and Fergusson expressed their support to defer the one-time study on uninterruptible water supply. Director Seidel recommended clarification and further consideration of the scope and objective of that study. He noted that all water systems require access to power and achieving un-interruptability would need to consider that power systems are also subject to failure. Director Wykoff respectfully disagreed with Director Seidel but agreed with the recommendation to defer the study of uninterruptable supplies.

Director Fergusson suggested changing the word "issues" to "stewardship" in the fifth Result to be Achieved. She also stated that reliability or diversification of water supply

might be a better focus for the study of uninterruptible supplies, and suggested that perhaps monitoring the technological progress for desalination without the need for funding can somehow be done.

Director Swegles inquired if all possible areas have been fully explored to keep the budget as low as possible, since many cities face a budget crisis. Mr. Jensen explained that the budget increase covers the consultant expenses which are critical for the negotiation of the new water agreement, input to the PEIR and monitoring and input to the WSIP. The budget increase also covers an expected increase in office lease expense. The alternative of moving has been reviewed, and the lease increase is comparable to or less than the cost of moving to a comparable office location in this same area.

Director Fergusson asked if any increase in assessments is passed on to the water customers. Mr. Jensen clarified that each agency decides how it incorporates assessment increases into their financing plans. Director Wykoff asked if assessments are based on water usage and Mr. Jensen answered that the formula for assessments was fixed in AB 2058 based on agencies' water purchases from San Francisco in 2001.

Director Klein commented that the 4.185% COLA adjustment is a bit higher than what Palo Alto has found, and asked about the methodology used in determining the number.

Director Breault commented on #8 of the Results to be Achieved, particularly on the second half of the sentence, saying that its link to BAWSCA's core mission is indirect, and should not take away efforts from the critical issues of diversifying water supply and looking at uninterruptible supply. Mr. Jensen noted that he spends a very small amount of time on that particular activity.

Director Quirk commented on the five issues identified in the budget memo, and expressed his support for the work plan and budget.

Water Conservation/Recycling Implementation Plan: The board discussed the proposed one-time study on water conservation/recycling implementation plan included in the budget for FY 08-09. Mr. Jensen reported that member agencies committed a total of 48 mgd of water savings by 2030 during the preparation of water demand projections for the PEIR and an additional 10mgd as part of comments provided on the PEIR.

Out of the 48 mgd, a savings of 25 mgd are expected from existing State plumbing codes. Those savings need to be identified and monitored to ensure that the codes are implemented and the savings achieved. 23 mgd were identified by member agencies based on conceptual plans for activities agencies can implement to achieve the savings. While the commitments are achievable, a plan is needed.

As noted during the presentation of the preliminary FY 2008-09 budget, the purpose of the proposed study is to prepare a ten-year implementation and funding plan for BAWSCA and member agencies to achieve the water savings.

The study will identify potential conservation activities, examine funding methodologies, and determine how to measure and report savings. The possible mechanisms for funding water conservation should maintain the current cost allocation principles for BAWSCA's water conservation programs: ensure costs are paid by the agencies that benefit, avoid

subsidies, and avoiding duplication of efforts. During the study, BAWSCA will work closely with member agency staff and the Technical Advisory Committee (TAC). The board will ultimately make the decisions on programs within its jurisdiction.

In response to Director Swegles, Mr. Jensen stated that water sub-metering could be included as a water conservation activity because it helps create an economic incentive for customers to conserve water.

Mr. Jensen noted that there are existing computers models for each agency which were developed during the water demand projection study in 2004. These models were used at that time to evaluate cost-effective water conservation measures for each agency, and will be updated as part of the proposed study.

The proposed budget for the study is \$120,000. Request for Proposals (RFP) would be issued if the board approves the workplan and budget at its meeting in May. Consultant selection and Notice to Proceed is scheduled in the Fall. Initial findings would be presented to the board in January and March 2009, and completion of the report would be in June 2009.

Director Quirk questioned the modeling used to indicate a savings of 25 mgd through plumbing codes. Ms. Sandkulla explained that the savings can be achieved as the plumbing codes go into place and inefficient toilets, fixtures, and aerators are replaced in homes. The modeling effort looked at the existing homes, the age of the homes, and when the fixtures will be replaced. The model looked at studies on the water savings from plumbing codes that have been done substantially at a national and statewide level.

Director Pierce stated that the City of Redwood City has seen significant water savings from its High Efficiency Toilet Replacement program. She further suggested that climate change be included in BAWSCA's guiding principles for conservation.

Director Seidel commented that measuring conservation improvement and unaccounted water is difficult to do. Developing a consistent way to determine and measure unaccounted water as well as reducing it would be a conservation opportunity. Secondly, it appears that an obstacle to recycled water is the lack of interagency coordination and cooperation to get things done. BAWSCA would be the perfect area for 27 member agencies to develop cooperative measures for recycled water.

Mr. Jensen reported that the aspect of cooperative efforts among the agencies is an important objective. One of the BAWSCA members' objectives for the new water agreement with San Francisco is to have fixed entitlements which agencies can trade, creating a means for agencies to invest in each other's recycling, conservation and other water supply programs. BAWSCA has also talked with Peter Drekmeier from Tuolumne River Trust about working together and building better programs through the study.

Director Fergusson suggested, and Directors Quirk and Pierce supported, that the scope of the study should identify the implications of greenhouse gas emissions that might be involved in the implementation of alternative measures, as recycling is known to be very energy intensive.

Director Breault mentioned the State model landscape ordinance that agencies will be required to adopt in the coming years which could have a significant impact on water use for external landscaping.

Director Weed commented on the priority for completing the negotiations of a new master water services agreement with San Francisco this year, and the resources needed to accomplish the task.

8. Consent Calendar:

M/S/C (Breault/Swegles/Quigg and Vella Abstained) that the Minutes of the January 17, 2008 BAWSCA Board meeting be approved; that the Monthly Budget Status Report and Investment Report for period ending January 31, 2008 be received and filed.

9. Directors' Discussion: Director Weed announced that the ACWA Region 5 Event is on April 6th and 7th. Directors who are interested in attending may contact Director Weed.

Director Seidel stated that member agencies have probably done studies to analyze the best conservation opportunities for their agencies. He suggested looking into those previous studies in developing the scope for the proposed conservation study.

10. Adjournment: The meeting was adjourned at 9:10pm.

11. Date, Time and Location of Next Meeting: The next meeting is scheduled for May 15, 2008 at 7:00 p.m. in the Wind Room, Foster City Community Center.

Respectfully submitted,

Arthur R. Jensen,
Chief Executive Officer/General Manager and Secretary

ARJ/le

Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
March 20, 2008

Attendance Roster

Present:

Randy Breault	Guadalupe Valley Water District
Cyril Bologoff	City of Brisbane
Kelly Fergusson	City of Menlo Park
Mike Goff	Stanford University
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Larry Klein	City of Palo Alto
Patrick Kolstad	City of Santa Clara
Chris Mickelsen	Coastside County Water District
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Matthew Pear	City of Mountain View
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City
Dan Quigg	City of Millbrae
Bill Quirk	City of Hayward
Chris Reynolds	Skyline County Water District
Dan Seidel	Purissima Hills Water District
Ron Swegles	City of Sunnyvale
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Robert Craig	Westborough Water District
John Fannon	Town of Hillsborough
Robert Livengood	City of Milpitas
Chuck Reed	City of San Jose
David Woods	City of East Palo Alto