

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

**February 13, 2008 – 1:30 p.m.  
155 Bovet Road, 1<sup>st</sup> Floor Conference Room**

**MINUTES**

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

The meeting was called to order by committee Chair, John Fannon at 1:40. Seven (7) members of the committee were present, constituting a quorum. A list of directors present (7) and absent (2), and members of the community attending is attached.

**2. Public Comments:** There were no public comments.

**3. Reports:**

Comments by Chair: Chair John Fannon called the meeting to order and asked for a moment of silence for the death of Congressman Tom Lantos

General Manager's Reports:

A. Water System Improvement Program (WSIP) – Status Report: Mr. Jensen reported that the SFPUC meeting, in which the proposed changes to the WSIP were to be presented, was cancelled and has not yet been re-scheduled. Written comments were submitted to the commissioners of the SFPUC.

The comments focused on the findings presented to the BAWSCA board at its January meeting. BAWSCA supports the commission's adoption of the proposed changes to the program. However, there are four major areas of concerns in the proposed changes BAWSCA recommends specific action by the Commission.

The commission should further examine the reliability of the water system in Sunol Valley following an earthquake on the Calaveras fault. The proposed scope assumes that the existing three siphons will be inoperable following a major earthquake, and the delivery of water will rely on a single pipeline, the new Alameda Siphon #4, that is being designed with a 90% probability of withstanding a major earthquake. Because this pipeline would be the only structure providing water to the East and South Bay, BAWSCA recommends the SFPUC examine the cost of alternatives to increase reliability or expedite repairs. Mr. Jensen reported that the scope assumes an earthquake magnitude comparable to the maximum probable earthquake on the Calaveras Fault.

The commission should review the current schedule for the Seismic Upgrade of the Bay Division Pipelines (BDPL) # 3 and #4, identify opportunities for schedule acceleration, and ask for a staff report on possible acceleration schedule opportunities by May 2008.

The commission should continue to investigate the technical issues identified for the Harry Tracy Water Treatment Plant (HTWTP) to decide whether the site is a suitable place for a treatment plant, and determine the practical implications of the findings. The magnitude of work that would need to be done at the site for it to be a reliable component of the regional water system should be considered, and alternatives to meet the level of service goals should be identified. BAWSCA recommends that the commission set a deadline for receiving actionable recommendations for the future of HTWTP.

Director Guzzetta asked how the technical issues with HTWTP came about. Ms. Sandkulla explained that site condition assessments identified earthquake faults and areas subject to landslides.

The commission should continue to examine the likelihood of meeting the aggressive schedule as well as the implications to the water customers and the costs if that schedule is not met. There should be a clear understanding among program staff, commissioners and customers of the potential risks of delays, and what actions might mitigate the risks. Mr. Jensen reported a meeting is scheduled between BAWSCA and Mayor Newsom, and the WSIP will be discussed among other topics.

- B. WSIP Draft Program Environmental Impact Report - Update: The San Francisco Planning Department is preparing the final PEIR and its responses to the comments received. The Planning Department requested a meeting with BAWSCA to discuss the questions raised about BAWSCA and its agencies, and BAWSCA's comments on the draft PEIR. The certification of the draft PEIR by the San Francisco Planning Department is expected in April. Appeals on the PEIR, if any, goes to the San Francisco Board of Supervisors. The SFPUC will adopt a program once the PEIR is certified.

- C. Legislation – Status Report: Assembly Member Ira Ruskin will propose amendments to AB 1823. The amendments will 1) extend State oversight of the WSIP from 2010 to 2014, 2) close a loop hole in triggering State evaluations by requiring annual progress reports from the SFPUC to address plans and timelines for getting projects back on schedule or formally adopting project changes, and 3) update the reference to the California Department of Health Services to its new name, California Department of Public Health.

Mr. Jensen reported that no chloramine legislation is expected this year. Further studies on chloramine should be done on a national level, completed in a defensible way, and evaluate human effects of all alternatives used to disinfect water.

- D. Appointments to the San Francisco Public Utilities Commission : Mr. Jensen reported that at its meeting on February 12<sup>th</sup>, the San Francisco Board of Supervisors took action on three items of interest to BAWSCA and its members. The first action was to reject Mayor Newsom's reappointment of Commission Ryan Brooks to the SFPUC. The second action was a failure, by one vote, to reject Mayor Newsom's reappointment of Commissioner Richard Sklar to the SFPUC. Mr. Sklar will continue to serve on the Commission.

The third action proposed placed a Charter Amendment on the June 2008 ballot. If the proposed Charter Amendment passes in June, the terms of all current SFPUC commissioners would expire on August 1, 2008. New Mayoral appointments would be subject to approval or rejection by a simple majority of the Board of Supervisors before

they could be seated. New appointees would need to include persons with specified experience in environmental policy, rate-payer advocacy, project finance, water systems, power systems or public utilities, and an at-large member.

Art stated that changes at the SFPUC policy level in August 2008 can potentially be detrimental to the progress of the WSIP, PEIR and negotiations of a new water agreement. It is possible that some of the incumbents fulfill the specified requirements, however, the probability of their reappointments being upheld is unknown.

Director Wykoff expressed his concerns about whether the San Francisco Board of Supervisors and Mayor Newsom understand the critical nature of the WSIP and the need for its completion.

**4. Action Calendar:**

A. Approval of the Minutes from the December 12, 2008 Meeting:

**M/S/C (Wykoff/O’Mahony/Unanimous) that the minutes of December 12, 2008 be approved and filed.**

B. FY 2008-09 Budget Development: The committee discussed issues on the preliminary budget estimates and provided comments on the results to be achieved during FY 2008-09. Mr. Jensen reported that BAWSCA’s preliminary budget is consistent with achieving its goals of reliable supply of high quality water at a fair price while achieving specific advancements in four areas; rebuilding the regional water system, negotiations of a new water agreement with San Francisco by June 30<sup>th</sup> 2009, administration of the existing master contract, and water management.

Results to be achieved and activities not included in the preliminary budget estimate are listed and described in the budget memo distributed to the committee.

Independent grant applications and water system tours appear under activities not included in the budget. Art explained that BAWSCA does work with other agencies to obtain State grant funding. BAWSCA has also worked and will continue to work with the Water Education Foundation’s tour of the Hetch Hetchy water system, that is available to those who are interested.

The preliminary budget estimate for FY 2008-09 is \$2.8 million or \$314,000 more than the current year’s budget. The estimated budget covers two one-time studies and increased operating expenses.

The first one-time study would prepare a 10-year implementation plan for how BAWSCA and its member agencies will achieve the 60mgd of new water conservation/recycling to which they committed to during the preparation of water demand projections and in comments on the PEIR. The study would develop a plan that includes proposed actions, schedule, costs, and funding alternatives. The proposed budget for this study is \$120,000. If the board approves the FY08-09 budget in May, requests for proposals (RFP) for this study would be issued in May. Work would begin in Fall 2008, and initial work products would be expected in time for FY 09-10 budget development.

The second one-time study would look at what actions might BAWSCA and its agencies might take to establish an uninterrupted water supply that goes beyond the reliability to be provided by the WSIP. The study would be a preliminary examination of existing information and would suggest what activities should be given further consideration. Local and regional desalination, water recycling, and groundwater utilization would be evaluated. The proposed budget for this preliminary study is \$80,000. RFP's would be issued in the Summer of 2008, and the work initiated in the Fall. Results would be expected by the end of the Fall season.

Increased operating expenses include premium adjustments for employee benefits, COLA, and increased lease costs for the office. Art reported that the current lease will expire in October 2008. A new rate has not yet been negotiated, but is estimated to increase by \$0.80 per square foot. A preliminary review of the costs to move indicates that it would be cost-effective for BAWSCA to remain at its current location. Director Fannon asked that the current lease be reviewed to see if the new rate is based on a cap in the current lease.

Sources of revenue for funding the budget are assessments, the BAWSCA general reserve, and reimbursements for water conservation assistance. Three funding alternatives were presented. One alternative is to use the BAWSCA reserve and maintain the current level of assessments. This alternative lowers the ending balance of the reserve significantly below budgeting guideline of 25% of the operating budget. A second alternative is to maintain a reserve of 25% of the operating budget, which would require increasing assessments by 18.4%. A third alternative is to maintain a reserve balance that is 20% of the operating budget, which would require increasing assessments by 13.7%.

Director Guzzetta asked that water conservation costs be included as a line item in the budget to reflect the staff time spent. Mr. Jensen and Ms. Sandkulla explained that although conservation is currently not a line item in the budget, it is included in the annual financial audit, as well as the annual conservation report. Mr. Jensen said he will find a means for showing how much time staff is devoted to conservation programs.

Director Guzzetta suggested that consultant direct expenses should be included in the budget to show where the savings are on activities that have been completed. For instance, the PEIR. He also recommends showing a history on the budget and assessments 3-4 years back, and a 5-year budget projection.

Art stated that BAWSCA has not historically provided budget projections because of short-lived, one-time activities and the research and development nature of the agency's work. The budget is based on what is being and will be achieved. Mr. Jensen said an attempt will be made to project the potential range of future budgets. Completion of the proposed water conservation study would provide information that could be used to project future costs. Director Kolstad stated that he prefers a general reserve balance that is 25% of the operating budget.

Mr. Jensen stated that he will continue to examine opportunities to reduce the overall budget and present the preliminary budget and funding alternatives to the board in March

5. **Comments by Committee Members:** Mr. Jensen reported that current water supply projections are good, and that no water use reductions due to drought are expected. Continued conservation will be encouraged.

6. **Adjournment:** The committee adjourned at 3:10 pm. The next meeting is scheduled for April 9, 2008, at 1:30pm in the first floor conference room of the BAWSCA office building, 155 Bovet Road, San Mateo.

Respectfully submitted,



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

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
Board Policy Committee  
February 13, 2008**

**Attendance Roster**

**Committee Members Present:**

John Fannon, Chair	Town of Hillsborough
Robert Craig, Vice Chair	Westborough Water District
Cyril Bologoff	City of Brisbane
Rob Guzzetta	California Water Service Company
Patrick Kolstad	City of Santa Clara
Rosalie O'Mahony	City of Burlingame
Rick Wykoff	Esteros Municipal Improvement District

**Committee Members Absent:**

Kelly Fergusson	City of Menlo Park
Chris Reynolds	Skyline County Water District

**BAWSCA Staff Members Present:**

Arthur Jensen	Chief Executive Officer/General Manager
Nicole Sandkulla	Senior Water Resources Engineer
John Ummel	Senior Administrative Analyst
Lourdes Enriquez	Assistant to the CEO/General Manager
Ray McDevitt	Hanson, Bridgett, Marcus et al.
Bud Wendell	Management Communications

**Guests:**

Vivian Blumenkamp	League of Women Voters
Peter Drekmeier	Tuolumne River Trust
Nicolas Procos	City of Palo Alto
Sharyn Saslafsky	San Francisco Public Utilities Commission