

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

**April 9, 2008 – 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 1:40. 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:

General Manager's Reports:

- A. Water System Improvement Program (WSIP) – Status Report: Chief Executive Officer and General Manager, Arthur Jensen reported that the SFPUC provided the California Seismic Safety Commission (CSSC) and the California Department of Public Health (CDPH) a letter dated March 31, 2008 reporting the adopted changes to SFPUC's WSIP in compliance with California Water Code Division 20.5, Section 73500 et seq.

In response to CSSC and CDPH's request for BAWSCA's assistance in evaluating SFPUC's report, BAWSCA will be providing both agencies with input on the proposed changes and recommending that the state focus its examination on three of the specific issues on which BAWSCA testified before the SFPUC.

BAWSCA continues to follow the progress of the Draft PEIR, which is now scheduled to be released in June. The next quarterly report on the WSIP is scheduled to be released in 4-6 weeks. Mr. Jensen stated that the overall status of the program is going well.

- B. San Francisco Public Utilities Commission – General Manager: Ed Harrington took office as the SFPUC's General Manager on March 31, 2008. A new Assistant General Manager for Business Services is being appointed.
- C. Potential High Efficiency Toilet Demonstration Program: Mr. Jensen reported that there is an opportunity for BAWSCA to partner with the East Palo Alto Sanitary District (EPASD) and other agencies in a High Efficiency Toilet pilot program in East Palo Alto. EPASD approached BAWSCA about a demonstration program involving the distribution of water saving packages that would include a high-efficiency toilet,

low-use showerhead, and a faucet aerator. Other potential partnering agencies include City of East Palo Alto and American Water Company.

The program would allow EPASD to reduce its wastewater flows as it faces future wastewater reduction requirements. BAWSCA would benefit by obtaining data on water savings and wastewater reductions. When the pilot project is completed and the data made to other BAWSCA agencies, the program could be made available throughout the BAWSCA area. The City of East Palo Alto would benefit from the program by reducing water demand and water purchases from the San Francisco Regional Water System. East Palo Alto has gone over its supply assurance in the past and needs to be able to accommodate future growth. The estimated water savings from replacing 11 toilets is equivalent to water needed for two homes.

Each partnering entity would have a different role. BAWSCA would provide the program management role while partnering agencies would provide program funding, technical and logistical support. The water conservation packages would be distributed to qualifying East Palo Alto residents. Residents would install the fixtures themselves or have them installed. Partnering agencies would pay 100% of the cost of the fixtures and program management costs. Each package would cost \$300 and would cover program marketing, securing new toilets, receiving old toilets, analysis of the savings, and completing the report or savings.

Nicole reported that similar programs have been successful in Redwood City and areas of Southern California. Director Guzzetta asked how implementation of the packages distributed can be confirmed. Nicole reported that to ensure the toilets are installed, the resident would be billed for the cost of the toilet and other water conserving parts of the conservation package unless they returned the old toilet. In addition, the program will have an auditing component to gather flow reduction data and a survey to gather feedback on the toilets and the program.

Director Guzzetta asked for the difference in technology between HET and low-flow toilets. Nicole explained that the difference is in the amount of water used. HETs use 1.2 gallons, or less, of water per flush. Different models have features that can be used for residential or commercial installations. HETs with the gravity feature are quieter and suited for use in single family homes, while HETs with the pressure-assisted feature are well suited for commercial uses. Nicole reported that standardized performance testing for HETs is now available.

- D. Legislation – Status Report: Mr. Jensen reported that AB 2437 passed the Assembly Committee on Local Government on April 2nd, and is scheduled to go before the Assembly Committee on Water, Parks and Wildlife on April 15, 2008. To date, letters of support have been submitted from Mayor Newsom and 12 BAWSCA member agencies.

Strategic Counsel, Bud Wendell reported that the respect Assembly Member Ira Ruskin has from his colleagues is impressive and that Assembly Member Ruskin is a fundamental leader for BAWSCA's interests.

San Francisco Measure E, the charter amendment that would change the process for appointing SFPUC commissioners, has been opposed by Mayor Newsom, the San Francisco Chamber of Commerce and other organizations.

A public comment was received from Peter Drekmeier, Bay Area Program Director for the Tuolumne River Trust. Mr. Drekmeier pointed out that a segment on Channel 7 identified the cost of the WSIP as \$4.6 billion. The SFPUC website states the same amount. Ms. Sandkulla will confirm whether the cost remains at \$4.3 billion

4. Action Calendar:

A. Approval of the Minutes from the February 13, 2008 Meeting:

M/S/C (Wykoff/O'Mahony/Unanimous) that the minutes of February 13, 2008 be approved and filed.

B. Review of BAWSCA's Investment Policy: BAWSCA's Investment policy was first adopted by the board on February 19, 2004. The principles of the policy include safety, liquidity and return on investment. No changes in laws, regulations or financial conditions warrant modification of the policy.

M/S/C (Wykoff/Craig/Unanimous) that the committee recommend the board's confirmation of BAWSCA's current investment policy.

C. Authorize Contract Amendment with GardenSoft to Develop Internet-Based Version of WaterWise Gardening CD-Rom: An inquiry from member agencies and the public since the release of the GardenSoft WaterWise Gardening CD was whether the program could be made available on the internet. GardenSoft has been looking into the technology and has determined that it can develop an internet-based version of the program. Staff recommends an amendment to the GardenSoft contract to cover software modification and licensing costs of \$15,000. \$10,000 is available in the conservation budget of FY 2007-08. \$5,000 will be covered in FY 2008-09.

M/S/C (O'Mahony/Wykoff/Unanimous) that the committee recommend board authorization of the CEO/General Manager to execute a contract amendment with Gardensoft for the development of an internet-based version of the WaterWise Gardening CD.

D. Adjustments to Top-Step Compensation for Staff Positions: Mr. Jensen reported that compensation studies allow BAWSCA to confirm whether top-step compensation for staff positions remains aligned with the median of the market. A compensation study was performed by Koff & Associates under the CEO/General Manager's spending authority, as reported at earlier committee and board meetings. Results indicate that top-step compensation for four of the six staff positions is within 1 ½ percent of the market median

for comparable positions. There is a larger variance for the Sr. Water Resources Engineer and Water Resources Planner positions.

Staff recommends adjustments to staff top-step position compensation to align with the median of the market determined by the survey. Chair Fannon asked if the adjustments have an impact on the budget. Mr. Jensen stated the impact will be minimal.

If the board approves the recommendation, adjusted top-step compensation for the affected positions, including any board-approved COLA, would be effective as of FY 2008-09.

Employee salaries would remain at the discretion of the CEO, subject to remaining at or below the board-approved top-step for each position.

M/S/C (O'Mahony/Craig/Unanimous) that the committee recommend board approval of the adjustments to top step salaries for the positions of Assistant to the General Manager, Office Manager, Senior Water Resources Engineer, and Water Resources Planner.

- E. FY 2008-09 Results to be Achieved and Proposed Budget: Mr. Jensen presented the proposed budget. While the results to be achieved remain the basis of the proposed budget, several changes were made to the preliminary budget presented to the board at its meeting in March. The consideration of a one-time study of uninterrupted water supplies was deferred to FY 2009-10. Contingency budgets were reduced by half, and the total budget was reduced by \$165,000. The proposed budget for FY 2008-09 is \$2.658M or 6% higher than the approved FY 2007-08 budget. The increase in the budget covers negotiation needs, a one-time study of water conservation/recycling implementation plan, and increased operating expenses.

Mr. Jensen presented revised funding alternatives using a combination of BAWSCA reserves and agency assessments. The objective of the analysis is to fund the budget, maintain appropriate reserves and avoid significant increases in future agency assessments. Three funding alternatives examined: 1) a 6 percent increase in assessments resulting in a reserve balance equivalent to 20 percent of the budget; 2) a 9 percent increase in assessments resulting in a reserve balance equivalent to 22 percent of the budget, and; 3) a 12 percent increase in assessments resulting in a reserve balance equivalent to 25 percent of the budget.

In response to the requests made by the board policy committee at its meeting in February, Mr. Jensen presented the current funds associated with BAWSCA's conservation programs. Mr. Jensen stated that the basis for BAWSCA's budgeting depends on future work load that results from emerging issues. The budgeting for water conservation depends on how the programs are funded. Mr. Jensen presented a graph showing the history of budgets and assessments and the level of assessments needed to remain financial sustainability.

The committee was asked to recommend board approval of the planned results to be achieved for FY 2008-09, a proposed budget of \$2.658M, COLA adjustments to position salary ranges of 4.185 percent, and an increase in assessments of nine percent.

Director Wykoff asked whether the \$120,000 one-time study on the water conservation/recycling implementation plan couldn't be done by the BAWSCA member

agencies themselves. Director O'Mahony asked for more clarification on what the scope of the study includes.

Mr. Jensen stated that the number of agencies, the schedule for achieving water savings, and BAWSCA's limited resources creates the need for consultant support. The study is needed because BAWSCA member agencies have made commitments to achieve 48 mgd of additional conserved water by 2030. These commitments were made during development of water demand projections as input to the WSIP PEIR in 2004. The projections include passive water savings that will occur as old appliances and fixtures are replaced with items that comply with the plumbing code and active water conservation activities. BAWSCA agencies' projections include active savings based on proven technology with documented information on expected water savings. A commitment to an additional 10mgd of water savings was included in BAWSCA's comments on the draft PEIR. Agencies know that additional water savings can be achieved, but an implementation plan is needed to ensure that necessary resources are in place and that savings can occur on or ahead of schedule. Not all member agencies have dedicated staff for conservation. Member agencies have asked BAWSCA how it can assist in achieving conservation savings. The study would identify how much of the 58 mgd would benefit from or require centralized assistance, and how much of the savings can be generated by BAWSCA agencies independently. The one-time study will coordinate with and augment individual agency efforts, not to duplicate them.

Agencies are interested in updating the water demand projection models developed for each agency in 2004, and using the same models in developing an implementation plan. This one-time study would update all 27 water demand projection models developed during the 2004 demand projection study, and re-evaluate what cost-effective conservation programs make sense for each agency.

Committee Chair Fannon asked if BAWSCA has a consultant in mind for the study. There was a particular consultant who developed the models, and there are a few consultants in the field that would be knowledgeable of working with the existing model.

Director Guzzetta stated that his perception was that the study was to look at the additional 10 mgd included in the PEIR, and not the 48 mgd the agencies have already committed to. Mr. Jensen said both need to be examined. He explained that the implementation plan must ensure that all of the savings will be achieved and none of the savings would be counted twice.

Mr. Jensen explained that the schedule for the study is to begin immediately following budget action by the board and to have initial results by the time the FY2009-10 budget is being prepared. Committee Chair Fannon asked for quarterly assessment reports of how the study is progressing.

Public comments were made by Peter Drekmeier, who stated that BAWSCA's proposal for a one-time study to look at a conservation implementation plan is important. There are many experts in the field that can analyze the current situation, and it is an important role

for BAWSCA to unite its members to work together. Tuolumne River Trust has stated its intentions to help BAWSCA promote its Gardensoft Landscaping CD and other conservation efforts. Mr. Drekmeier encourages board members to vote yes on the proposed budget as presented.

M/S/C (Kolstad/Guzzetta/Wykoff opposed) that the committee recommend board approval of the proposed list of achievements, budget, and the funding plan for FY 2008-09.

- F. Priority FY 2008-09 Professional Services Contracts: Mr. Jensen reported that all but one Professional Services contract being presented are existing contracts with BAWSCA. The contract with Mr. Terry Roberts, who began working for BAWSCA this fiscal year, is new. Director Wykoff said he thought the hourly rate of \$175/hour for Terry Roberts, Inc. seems too high. Ms. Sandkulla stated that Mr. Roberts's expertise is on major capital improvement program management. He looks at soft costs, ways the program can be made tighter, and identifies issues to look for. His proficiency with capital projects is valuable to BAWSCA with the current status of the WSIP.

Director Wykoff asked about the consultant contingency line item under Hanson Bridgett's budgeted activities. Mr. Jensen explained that the proposed contingency budget in legal counsel's contract serves the same purpose as the one in the current year contract, and covers the costs for consultants needed by Hanson Bridgett for the negotiation of the new water agreement with San Francisco. Ray McDevitt stated such consultants would include a CPA firm that would look at financial components of the contract.

Director Wykoff also asked for clarification on two areas of work to be performed by Strategic Counsel, Bud Wendell. The first is to develop and manage a new assertive, proactive, collaborative relationship with San Francisco to address BAWSCA's concerns with fixing the water system, and negotiating a new master contract. The second is to build constructive relationships with other entities and avoid public controversies. Mr. Wendell stated that the work involves the development of a corporate ethic between BAWSCA and San Francisco in a supplier/customer relationship, and that the outcome of the recent meeting with Mayor Newsom is one example of positive results achieved this year.

Director Wykoff asked if the work BAWSCA is putting into the WSIP parallels SFPUC's efforts. Mr. Jensen stated that BAWSCA's work is not duplicative of the SFPUC's efforts. The SFPUC's effort is to manage the \$4.3 billion program. BAWSCA's objective is to look at the WSIP from the member agencies' perspective to ensure that suburban customers get the true value of the program. Mr. Jensen said that if the staff memorandum is not clear on why the work is being done, they will be re-written.

The committee requested that the hourly rate and the scope of work for KNN be provided to the board in May.

M/S/C (Kolstad/Craig/Unanimous) that the committee recommend board approval of the nine professional services contracts for legal, engineering, financial, strategic, and water conservation services at the board meeting in May.

The committee agreed to vote separately on the professional services contract with Terry Roberts, and requested that the scope of work for Terry Roberts Consulting, Inc. be clarified for the board in May.

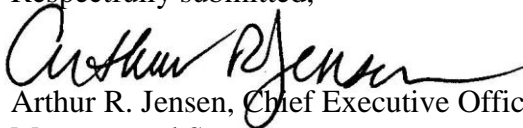
M/S/C (O'Mahony/Kolstad/Wykoff opposed) that the committee recommend the board to authorize the CEO/General Manager to negotiate and execute a contract between BAWSCA and Terry Roberts Consulting, Inc., for a not-to-exceed amount of \$80,000 subject to legal counsel's review.

- G. Authorization to Issue a Request for Proposals for the Water Conservation/Recycling Implementation Plan: Following the discussion the committee had in regards to the one-time study for the conservation/recycling implementation plan, the committee requested to go over the timeline of the study at the May board meeting, and voted unanimously to recommend board authorization for the CEO/General Manager to issue Requests for Proposals.

M/S/C (Kolstad/Craig/Unanimous) that the committee recommend the board to authorize the CEO/General Manager to issue Requests for Proposals.

5. **Comments by Committee Members:** There were no comments from the committee members.
6. **Adjournment:** The committee adjourned at 3:05 pm. The next meeting is scheduled for June 11, 2008, at 1:30pm in the first floor conference room of the BAWSCA office building, 155 Bovee 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
April 9, 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
Chris Reynolds	Skyline County Water District
Rick Wykoff	Estero Municipal Improvement District

Committee Members Absent:

Kelly Fergusson	City of Menlo Park
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BAWSCA Staff Members Present:

Arthur Jensen	Chief Executive Officer/General Manager
Nicole Sandkulla	Senior Water Resources Engineer
Benjamin Pink	Water Resources Planner
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
Marilyn Mosher	City of Hayward
Nicolas Procos	City of Palo Alto
Sharyn Saslafskey	San Francisco Public Utilities Commission