

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

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:05 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 noted the critical milestone achieved by the San Francisco Public Utilities Commission's (SFPUC) adoption of the Water System Improvement Program (WSIP) on October 30th. She and Directors Barbara Pierce and John Fannon, and East Palo Alto's City Manager, Alvin James, attended the hearing with BAWSCA CEO, Art Jensen to express their concerns and support for the SFPUC's actions. Rebuilding the system to protect the health, safety and economic well-being of residences, businesses, and community organizations who rely on the regional water system is BAWSCA's highest priority.

BAWSCA speakers objected to the program's limitation on supplies available from San Francisco watersheds to the wholesale customers. Chair O'Mahony stated that rebuilding the system is a big job, however it does not create one more drop of water. She referred to Director Fannon's statement which emphasized that while San Francisco makes the decisions that affect the residences and businesses of the BAWSCA service area, it is not accountable to the BAWSCA member agencies who uses two-thirds of the system's water and pay two-thirds of the cost.

Chair O'Mahony stated that BAWSCA must continue to monitor the progress of the WSIP, and address the impacts San Francisco's unilateral decisions have on the areas outside San Francisco. In the near term, BAWSCA has a critical challenge of ensuring a reliable and sufficient supply of water through its conservation implementation plan. Undertaking stronger conservation projects that promise greater returns is critical, and BAWSCA's leadership and oversight can make a major contribution.

3. Board Policy Committee Report: Committee Chair John Fannon reported on the committee's coverage and discussion of water supply conditions, drought contingency planning, Bay-Friendly Landscape Guidelines, the continuation of the High Efficiency Toilet Rebate Program, and the status of the SFPUC's WSIP.

4. Chief Executive Officer's Reports:

A. Water Supply Conditions: Mr. Jensen reported that the inflow to reservoirs during the 12-month period ending September 30, 2007 was 30% less than the system's water use

during the prior year. Bay Area and State watersheds continue to be dry. The regional water system's voluntary conservation will continue. BAWSCA has started the process with the member agencies and San Francisco of anticipating the sequence of events for a mandatory rationing if this winter is also dry.

- B. Drought Rationing Plan: Mr. Jensen explained that San Francisco determines how much water it will have available and whether there will be a water shortage. There are two agreements that provide the rules for 1) supply allocations between San Francisco and the wholesale customers collectively, and 2) the allocation of the wholesale customers' share between the BAWSCA member agencies. BAWSCA is working with San Francisco in refining the schedule of actions to ensure that information is available early enough for agencies to begin their budget processes and rate setting. It is ideal for retail allocations and drought rates to be in place early enough to affect water use during the summer months

Mr. Jensen stated that it is too early to predict water supply conditions for FY 2009-10. Reliable water supply data will not be available until after April 1st when San Francisco's annual snow survey is completed. Information should be available in mid-April to late April from San Francisco for agencies to finalize budgets and conduct rate hearings required by Prop. 218.

BAWSCA will continue to work with San Francisco to implement the agreement on schedule, and keep member agencies informed through the Technical Advisory Committee (TAC). BAWSCA is prepared to fulfill its administrative role to calculate the percentages by which the water is divided amongst the agencies.

- C. High Efficiency Toilet Rebate Program: Mr. Jensen informed the board that the High Efficiency Toilet (HET) Rebate Program will continue in FY 2009-10 under BAWSCA instead of with East Bay Municipal Utilities District (EBMUD) as originally expected. Fourteen member agencies currently participate, and expressed their interest in continuing the program. The program is funded by participating agencies at no cost to BAWSCA.
- D. Landscape Ordinances Being Pursued by Agencies: Mr. Jensen provided an update on what has become of the StopWaste.org Bay Friendly Guidelines since the Board approved its distribution to the member agencies for consideration one year ago. Among other environmental benefits, the landscape guidelines have significant potential to reduce outdoor water use, which is a major contributor to the amount of water used during the summer months. The guidelines are consistent with BAWSCA's water conservation objective of maintaining attractive communities while promoting efficient water use.

BAWSCA member agencies, such as Alameda County Water District and the City of Hayward, are implementing the landscape guidelines at different levels. Mr. Jensen noted that there may be a large unrealized opportunity to save water by implementing the guidelines, although it can be difficult to estimate the overall water savings at this time.

- E. BAWSCA Review of SFPUC WSIP Cost Estimates vs. Contract Awards: In response to the board's request for information on the SFPUC's cost estimates and how it compares with contract awards and construction budgets, BAWSCA did an analysis on thirty local and regional WSIP projects that were put out for bids between 2005 and 2008.

BAWSCA's analysis looked at the engineer's cost estimating accuracy. Ms. Sandkulla explained that significantly low estimates can require supplemental funds for the project in the future because of a budget shortfall, while estimates that are too high can lead to the absorption of extra cost that are not necessarily part of the project cost.

A criteria of a 10% range between the engineer's estimate and the contract bid was used in the analysis. Results show inconsistent performance between the engineer's estimates and project awards.

While there is an aggregate difference of less than 1% between the engineer's total estimates and total project awards, there is a larger variation with individual project estimates. Thirty-three percent of the projects are within +/- 10% of the engineer's estimate, while sixty-seven percent have a variation from -33% to +40%.

Director Pear asked if scopes were moved from one project to another, and changed over to a different bid package. Ms. Sandkulla stated that the project realignment completed in February 2008 shows that there were no scope movements from one project to another.

Director O'Connell pointed out the varying areas of the projects and how they align with the engineers' expertise for cost estimating. She suggested looking at the projects with the greatest discrepancy and the reasons why that might be.

Ms. Sandkulla explained that some consistency in the variation during 2008 may be an indication of improvements resulting from the SFPUC's implementation of project management procedures in 2006 where estimates are checked at key areas of the process by third party experts.

In response to Director Klein's inquiry, Ms. Sandkulla stated that the SFPUC's contract contingency depends upon the type of project.

BAWSCA's analysis also looked at whether projects are receiving enough bids. The criteria used for determining acceptability were based on the number of bids received for a project. One to two bids received is undesirable, three bids received is desirable, and four and above is highly desirable. Ms. Sandkulla explained that a high number of bids create a competitive situation which reduces the bid cost.

The analysis shows that 77% of the 30 projects examined received less than 3 bids, 33% received 3 bids, 17% received 4-5 bids, and seven percent received 6 or more bids.

Chair O'Mahony asked about the SFPUC's outreach to contractors for larger projects. Ms. Sandkulla reported that the SFPUC continues their outreach to contractors through major contractor conferences and trade organizations.

BAWSCA's recommendation to the SFPUC is to continue the review of their estimating procedures to improve consistency in cost estimating results, continue the improvement of its contractor outreach program, and review all project budgets to ensure cost projections are tight. Ms. Sandkulla noted a finding she learned from the analysis where the allowance for contingency of the 30 projects evaluated added up to \$80 million. BAWSCA will bring its recommendations to the SFPUC and look into what policies the SFPUC have in place for controlling the use of the allowances to avoid cost-creep.

The analysis is something BAWSCA anticipates doing approximately two times a year with the SFPUC because it was a helpful process in tracking the overall implementation of the WSIP.

Director Seidel commented that having the dollar value of the contracts would be helpful to determine the significance of the 10% range between the engineer's estimate and the project cost. He believes that a 23% contingency and environmental mitigation allowance for the thirty projects evaluated is too high, and that an ideal number of bids in a competitive situation should be six and above.

Director Wykoff commented that he felt that more information would be useful.

Mr. Jensen thanked the directors for their comments.

5. **SFPUC Report:** Michael Carlin, Assistant General Manager of Water Enterprise, addressed the board on behalf of SFPUC General Manager, Ed Harrington. The SFPUC is operating in a very conservative mode because the current water supply forecast remains unknown. Agencies under the State Water Project will receive 35% of its normal deliveries next year, and the SFPUC hopes to improve that mark by at least double. A daily sheet on the Tuolumne River water flow and information on local watersheds is posted on the SFPUC website available to each wholesale customer.

Mr. Carlin stated that the SFPUC is receiving lower bids than expected because of the current economic trend. The cost of raw materials has also gone down, and many construction firms are looking for work, therefore creating competitive conditions.

The SFPUC is continuing to work diligently with BAWSCA on the new Master Water Sales Agreement.

Mr. Carlin thanked Chair O'Mahony and BAWSCA member agencies and board members who submitted letters and testified in support of the certification of the Program Environmental Impact Report. He reported that the certification of the PEIR was not appealed, and he congratulated the BAWSCA membership for that accomplishment.

Director Fergusson expressed her appreciation for the SFPUC's two successful neighborhood public outreach meetings in Menlo Park about the Bay Division One Pipeline Project coming through the city. The meetings were professionally run and provided good information.

6. Public Comments: General comments were made by two members of the public.

Wynn Grcich of A-Town and Linda Corwin of Citizens Concerned About Chloramine.

7. Special Reports:

- A. BAWSCA's Testimony before the San Francisco Public Utilities Commission Addressed Who should do Regional Water Planning: On October 30, 2008, the San Francisco Planning Commission certified the Program Environmental Impact Report (PEIR) for the WSIP. Immediately following the certification of the PEIR, the SFPUC adopted the Phased WSIP, which includes a water sales limitation to 265mgd until at least 2018.

While BAWSCA's statements objected to the water supply limitation, it supported the certification of the PEIR as well as the adoption of the Phased WSIP so that the seismic improvements to the regional water system can move forward.

An amendment to the motion by the SFPUC commissioners require the SFPUC staff to 1) set aggressive conservation goals and develop alternatives to reduce future water diversion from the Tuolumne; and 2) submit annual reports on its recycling and conservation efforts.

Mr. Jensen noted that the amendment to the motion gets into the issues raised in testimony delivered by staff of BAWSCA member agencies, and members of the BAWSCA board including Chair O'Mahony, Directors Fannon and Pierce, and East Palo Alto City Manager Alvin James.

Their statements stress the unilateral decision-making by the SFPUC which significantly affects the wholesale customers and their communities while remaining unaccountable for the uncertainties that result from the choices they make. Involvement is key and a team approach among suppliers, residents, businesses, community organizations, environmentalists and government officials at all levels was encouraged to address the critical water supply situation in the regional service area.

Mr. Jensen emphasized the key question is how communities will be provided a sufficient and reliable water supply in the future.

The wholesale customers' primary supply is now limited until at least 2018, and San Francisco will decide whether to provide more water from its existing sources. Mr. Jensen noted that majority of the speakers who spoke against the certification of the PEIR and the adoption of the Phased WSIP centered on reducing diversions from the Tuolumne River. Opposition to diversions from the river is expected to continue.

- B. BAWSCA Must Coordinate Regional Water Management Planning with its Member Agencies: Regional Water Management planning must be done by member agencies individually as well as collectively through BAWSCA.

Individually, member agencies need reliable information on future water supplies in order to maintain their Urban Water Management Plans, continue local development and community enhancement project reviews and approvals, and remain in compliance with water supply assessments. Member agencies will make the decisions and be held accountable for ensuring that their communities have sufficient water.

Mr. Jensen noted that the SFPUC's water supply limitation provides 10mgd less than the wholesale customers' projected needs up to 2030. This projection already included agencies' commitments to conservation and recycling. 2018 is only 9 years away and will not allow time needed to budget, plan, permit, design, construct, and implement water supply facilities.

The Water Conservation and Recycling Implementation plan is a short-term measure that increase water use efficiency and will extend the capacity of existing recycling plants.

BAWSCA will continue to work and coordinate with the SFPUC and explore opportunities with other agencies such as the SCVWD for joint water supply projects. Collective actions can also take advantage of the existing regional water system, transfers and trading.

Activities needed to accomplish longer-term solutions will be included in budget preparation for FY 09-10, and will be discussed with the board policy committee at its meeting in December. The process will take time, and therefore must begin now.

Director Quirk expressed his support for long-term planning to meet the growing needs of the communities of BAWSCA member agencies. Director Weed commented on the opportunities with long term contracts for affordable power supply to support desalination. Director Fergusson stated her hope that agricultural conservation will be part of the mix in future water conservation planning.

- C. The First Vital Step - Status of the Water Conservation Implementation Plan: Nicole Sandkulla reminded the board that the objective of the study is to develop a plan for BAWSCA and its member agencies to attain the water efficiency goals that have committed to. The plan should clearly describe who must do what by when.

Ms. Sandkulla reported that 23 agencies have staff actively participating in the working group, which has met three times since the project launched on September 30th. The work group functions as a resource and provides reviews and input. Ms. Sandkulla was pleased to report that a representative from the SCVWD is actively engaged in the work group, which is beneficial as SCVWD's involvement at this level can bring consistency between BAWSCA and SCVWD.

Completed tasks include the projections for water demand, and population and employment projections to 2035. A list of new conservation measures has been selected and will be evaluated by the work group.

A professional services contract was executed with Pacific Institute (PI) on October 30th. PI will provide BAWSCA input to, and review and comment on the Water Conservation Implementation Plan during the course of the plan's development.

Amendments to the contracts with Maddaus Water Management (MWM) and Brown and Caldwell (B&C) were executed to complete tasks scheduled to be performed by the Water Resources Planner position, which became vacant in mid-October. The professional services contracts are within the CEO/General Manager's spending authority.

A survey of other regional water agencies' conservation implementation and financing experiences is currently underway. BAWSCA and the project working group are evaluating the list of new conservation measures and are looking at their cost-effectiveness for each of the 30 member agencies. The list includes a more aggressive approach to the idea of local level residential and non-residential ordinances that would require indoor and outdoor efficiencies. The strong support for the idea of ordinances seem to be reflective of the clear awareness about what needs to get done.

Results from the survey and conservation analyses will help develop implementation and financing strategies, as well as a draft implementation plan to meet water saving goals based on a 2018 supply limitation scenario and a 2030 scenario. A status report will be provided to the board in January.

Ms. Sandkulla noted the critical schedule of having the results from the survey and conservation analyses available to the board in March. A draft implementation plan and financing strategies will be presented to the board for review and feedback so that implementation actions that can be done in FY 2009-10 can be included in the budget process.

Director Breault commented that the City of Brisbane is already looking at implementing aggressive water use efficiency practices in some of the City's office buildings to stay within its current supply agreement. He asked when agencies should expect to consider the impacts of the conservation measures on future demands and rationing capabilities. Ms. Sandkulla stated that an examination of the effects of demand hardening will be in BAWSCA's proposed workplan for FY 09-10.

Public comments from the topic of conservation were received from Ann Clark, San Francisco resident, and Jessie Rader, Tuolumne River Trust Bay Area Organizer.

8. Consent Calendar:

M/S/C (O'Connell/Quigg/Unanimous) that the Minutes of the September 18, 2008 BAWSCA Board meeting be approved; that the Audit Report for FY 2007-08, Monthly Budget Report, Quarterly Investment Report and Director's Reimbursement Report as of September 30, 2008 be received and filed.

9. Action Calendar:

- A. Authorization to Extend Contract with PG&E: Mr. Jensen reported that BAWSCA's partnership with PG&E on the Residential Washing Machine Rebate Program (WRMP) has been successful with the participation of 14 member agencies. The current program

began on January 1, 2008 and runs through December 31, 2008. BAWSCA's contract with PG&E runs through June 30th 2009 to allow for a 6-month close-out period.

All participating agencies have expressed interest in continuing the program when it expires at the end of the year. PG&E begins a new program from January 1st through December 31st 2009, as it operates on a calendar year. To participate in the program through the year 2009, BAWSCA's contract with PG&E will have to be extended to run through June 30, 2010.

The proposed board action was discussed by the board policy committee at its meeting on October 22nd and has the committee's recommendation for board authorization.

M/S/C (Fannon/Pierce/Unanimous) that the board authorize the CEO/General Manager to amend the contract with PG&E, subject to legal counsel's final review, to:

- Extend the end date through FY 2009-10 for the implementation of the Washing Machine Rebate Program from January 1 through December 31, 2009; and,
- Offer participation in the program to BAWSCA member agencies for FY 2009-2010.

10. Directors' Discussion: Chair O'Mahony recognized the services provided by Director Pat Kolstad who will be leaving his seat on the BAWSCA and RFA boards as he retires from the Santa Clara Council, and Director Dan Seidel, who will also be leaving his seat on the BAWSCA and RFA boards as he retires from Purissima Hills Water District. She thanked them for their leadership and commitment to making BAWSCA an effective organization.

Director Weed noted that BAWSCA has the ability to raise funds and develop water sources for its members. He encouraged the BPC to look at the possibilities and begin the initial exploration of what it would take for BAWSCA to develop its own water supplies to augment supplies from the regional system.

Director Pierce suggested looking at recycled water and identifying what potential partnerships can be developed as well as how it can fit in the infrastructure and planning that will be done in the future

11. Adjournment: The meeting was adjourned at 8:40.

12. Date, Time and Location of Next Meeting: The next meeting is scheduled for January 15, 2009, following the RFA meeting 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
November 20, 2008

Attendance Roster

Present:

Randy Breault	Guadalupe Valley Water District
Cyril Bologoff	City of Brisbane
Robert Craig	Westborough Water District
John Fannon	Town of Hillsborough
Kelly Fergusson	City of Menlo Park
Mike Goff	Stanford University
Michael Guingona	City of Daly City
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
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Rob Guzzetta	California Water Service Company
Robert Livengood	City of Milpitas
Chuck Reed	City of San Jose
Ron Swegles	City of Sunnyvale
David Woods	City of East Palo Alto