

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
January 15, 2009 – 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-four (24) members of the board were present, constituting a quorum. A list of directors present (24) and absent (3) is attached.

2. Special Order of Business – Election of Officers for Calendar Year 2009

Chair O'Mahony conducted the portion of this meeting as she did not stand for re-election. She called for nominations for the position of Chair of the BAWSCA board. Director Fergusson nominated John Fannon for chair, and was seconded by Director Craig. There being no other nominations, nominations were closed by consensus and Chair O'Mahony announced Director Fannon elected as chair of BAWSCA for calendar year 2009 by acclamation.

M/S/C (Fergusson/Craig; Unanimous) that John Fannon be elected as Chair of the Bay Area Water Supply and Conservation Agency for calendar year 2009 to commence at the adjournment of the meeting at which he was elected.

Chair O'Mahony called for nominations for Vice-Chair. Director O'Connell nominated Barbara Pierce as Vice-Chair of the board, and was seconded by Director Craig. There being no other nominations, nominations were closed by consensus and Director O'Mahony announced Director Pierce elected as Vice-Chair by acclamation.

M/S/C (O'Connell/Craig; Unanimous) that Barbara Pierce be elected as Vice-Chair of the Bay Area Water Supply and Conservation Agency for calendar year 2009 to commence at the adjournment of the meeting at which she was elected.

3. Comments by the Chair: Director O'Mahony congratulated and welcomed Director Anderson from Purissima Hills Water District, and Director Abrica from the City of East Palo Alto as new members of the board. BAWSCA looks forward to working with them. New directors are being appointed by the City of Santa Clara and the City of Milpitas and are expected to join the Board in March.

Director Fannon thanked the members of the board for their support and confidence to have him as Chair of the board. He looks forward to working with the board members and Vice-Chair elect Barbara Pierce in supporting the CEO and General Manager to address the continuing challenges BAWSCA faces. Director Fannon thanked Chair O'Mahony for her

leadership over the last two years, and in keeping the organization focused and moving forward with its objectives.

Director O'Mahony stated that BAWSCA's challenges continue to be the close monitoring of the WSIP's progress, completion of a new water agreement with San Francisco by June 30, 2009, development of a regional water management plan, and building a better relationship with San Francisco that will deliver satisfaction for BAWSCA's 27 member agencies and their customers.

The WSIP will require expert management by the SFPUC and close monitoring by BAWSCA to avoid delays and cost overruns as it heads into an intense construction period. The new agreement with San Francisco is expected to meet the objectives of the BAWSCA member agencies, and be completed on schedule. The regional water supply planning will be a critical challenge and will require the strong leadership of Mr. Jensen and his staff, increased resources and support from member agencies, and ideas from members of our board. Chair O'Mahony noted that current economic conditions add to the challenge; however, water is the lifeblood of our communities and the economy of the service area. Finally, she hopes to a new level of cooperation will be forged between San Francisco and BAWSCA to have bilateral decision-making on major water challenges.

4. **Board Policy Committee Report:** Committee Vice Chair Bob Craig conducted the meeting of the Board Policy Committee on December 10, 2009, in the absence of Committee Chair John Fannon. The committee received a report from the CEO/General manager on the proposed schedule of policy items for the committee as well as updates on water supply conditions, staff vacancy, and budget preparations. Committee discussions are summarized in a report included in the agenda packet. No recommendations for board actions were taken.

5. Chief Executive Officer's Reports:

- A. Announcements: Mr. Jensen expressed his gratitude for the leadership of Chair O'Mahony and Vice Chair Patrick Kolstad in the past two years. He looks forward to working with Chair-elect Fannon and Vice Chair-elect Pierce in facing the continuing challenges of BAWSCA.

The board was reminded of the deadline to complete their FY 2008-09 Conflict of Interest Form 700 as members of the BAWSCA and RFA boards. The deadline for filing completed forms with BAWSCA is April 1, 2009.

Mr. Jensen reported that the Water Education Foundation (WEF) can arrange a tour of the Hetch Hetchy water system, provided that San Francisco and BAWSCA can help sponsor the tour, as was done last year, and guarantee attendees for the tour. Mr. Jensen will speak on the tour, as will SFPUC General Manager Ed Harrington, SFPUC staff and other stakeholders. WEF provides a balanced spread of experts that include representatives from the irrigation districts and fisheries, a geologist, and proponents of the Restore Hetch Hetchy campaign.

In the past, the board has authorized BAWSCA to co-sponsor the tour and pre-purchase tickets to ensure space for BAWSCA board members and to be able to cover the cost of the tour for BAWSCA directors whose agencies are not able to give a reimbursement.

Mr. Jensen noted that the sponsorship of the tour and the pre-purchase of the tickets would be within the CEO/General Manager's spending authority and would not require action of the board. He said the purpose of this discussion is to inform the board and to obtain the board's thoughts about funding the tour, given current economic conditions.

Board members who have gone on the tour stated that the tour is worthwhile because it provides a better understanding of the system. Board members expressed strong support for BAWSCA to sponsor the WEF Hetch Hetchy tour, and encouraged board members who have not gone on the tour to do so.

- B. Water Supply Conditions: Mr. Jensen reported that conditions remain dry and the outlook for the remainder of the season is uncertain. BAWSCA continues to track the status with the SFPUC and are working with TAC members to make preparations for necessary rationing that might be required.

Mr. Jensen went over the existing agreements that specify the allocation of available water between San Francisco and the wholesale customers, and how wholesale customers divide the allocation amongst themselves. The agreements contain schedules for actions and decision-making for planning. BAWSCA is prepared to administer its duties of making the calculations, and has reviewed some numbers with the TAC at its meeting in January. Member agencies have also reviewed their Urban Water Management Plans to determine how rationing would be conducted in their service areas if necessary.

- C. Mid-Year Progress and Budget Review: Mr. Jensen reported that the current fiscal year's activities are on track and no budget adjustments are required at this time.

BAWSCA continues to track the progress of the WSIP which looks good at this time. Further information and developments on BAWSCA's questions and comments to the SFPUC presented at the previous BAWSCA board meeting will be provided in March. BAWSCA is currently working on individual project EIR's now that the PEIR has been completed. A progress report on the conservation implementation plan will be provided later in the meeting.

One of two developing issues discussed with the board policy committee include the monitoring of a state legislation related to water conservation that requires a 20 percent water use reduction by the year 2020. The TAC has asked BAWSCA to ensure that the legislation does not provide difficulties for the member agencies. BAWSCA is working with its legislative contacts in Sacramento, the SFPUC and member agencies who are dedicating resources on tracking developments of the legislation, to keep informed of its progress and to be able to comment appropriately.

The second issue is the necessary preparations, communications and administration of the Interim Water Shortage Allocation Plan (IWSAP), if a mandatory rationing is

declared. Mr. Jensen stated that any necessary adjustments to the current fiscal year's workplan to address drought will be brought to the board in March.

- 6. SFPUC Report:** Mr. Harrington stated his appreciation for Chair O'Mahony's leadership and he looks forward to working with Chair elect Fannon and Vice Chair elect Pierce in further developing the good relationship between BAWSCA and the SFPUC.

Mr. Harrington reported that the reservoirs are expected to be 70 percent full at the end of the month. The outlook for January shows no further precipitation, and the hope is that February, March and April would be very, very wet months to make up for a dry January.

A shutdown of the Hetch Hetchy system for a routine maintenance of the mountain tunnel and pipeline from January 5th through the 20th revealed that the tunnel is in excellent shape since it was last inspected 15 years ago. The coast range tunnel, canyon tunnel and the San Joaquin pipelines remain to be inspected, and a similar system shutdown will be done next winter for repair work.

Following the certification of the Program Environmental Impact Report (PEIR), the SFPUC expects to have individual project EIR's going to the Planning Commission in 2009. EIR's have lengthy processes and with 21, the SFPUC is making an effort to have a good momentum. Three project EIR's are going to the Board of Supervisors in the month of January.

Mr. Harrington reported that the SFPUC is receiving multiple bids that are coming in well under the engineer's estimates. He noted that the WSIP is very much an economic stimulus for the greater Bay area, as it begins to spend \$4.5 billion and create 28,000 jobs in the next couple of years. The SFPUC hopes to get this part of the construction phase completed while the bidding market is favorable, and create jobs that will stimulate the economy.

Director Quirk asked if the program might move faster if it receives part of the federal stimulus money. Mr. Harrington reported that the SFPUC submitted shovel-ready projects. However, Mr. Harrington stated that many of the water and wastewater proposals are sounding like loans as opposed to grants, which pose a question of where would there be better interest rates.

In terms of financing the WSIP, the SFPUC has the authority to issue up to \$500 million of commercial paper for the water system. The SFPUC is currently at less than half of \$500M with its current borrowings at 1.6 percent interest rates. The SFPUC does not expect to issue any debt until later in the Spring.

Mr. Harrington reported that San Francisco's layoffs have not affected the SFPUC, since it is a revenue generating agency. Layoff notices were given to approximately 400 employees in early January, and additional layoffs are expected in February.

Budget workshops for SFPUC's departments will begin on January 16th. The budget recommendation will be presented to the commissioners of the SFPUC on February 10th, and presented to the Mayor and Board of Supervisors for adoption on March 1st. The

SFPUC is currently discussing its rate and revenue requirements for adoption of rate changes in April, effective July 1st.

The SFPUC's projection for a wholesale rate increase comes within the range of what has been discussed with BAWSCA for some time. The SFPUC will be meeting with the wholesale customers' Suburban Advisory Group on February 18th where information will be discussed regarding the projections for the Suburban Revenue Requirement.

7. **Public Comments:** Public comments were received from Wynn Grich and Michael Francois.

8. **Consent Calendar:**

M/S/C (Quigg/Quirk/Unanimous) that the Minutes of the November 20 2008 BAWSCA Board meeting be approved; that the Monthly Budget Status Report, and Investment Report for period ending November 30, 2008, and Director's Reimbursement Report for period ending December 31, 2008 be received and filed.

9. **Special Reports:**

- A. Fiscal Year 2009-10 Budget Preparation Overview: Mr. Jensen noted that the basic process of BAWSCA's budget preparation is to focus on its goals to ensure reliable supply of high quality water at a fair price. BAWSCA looks at the challenges that member agencies and its customers face, and that the organization needs to respond to. The results that need to be achieved for the following fiscal year relative to the challenges are identified, and the budget is based around what resources would be needed. This processes, which has been done since BAWSCA's inception, has given the board a chance to consider what BAWSCA is going to achieve, what results will be produced, and how the budget relates to the agency's activities.

A preliminary budget will be presented to the board policy committee in February for review and input. The board will see the preliminary budget in March for input and guidance. With refinement, a proposed budget will be presented to the board policy committee in April as an action item to recommend board adoption at the May board meeting. At the same meeting, the board will also consider approval of professional services contracts that would have to be in place by July 1, 2009

The general characteristics of the results to be achieved in FY 09-10 include continued monitoring of the progress of the WSIP as it heads towards a steep construction period, maintaining agency allies, working on environmental stewardships, and maintaining the agency's efficiency and effectiveness.

There are critical activities anticipated for next fiscal year, and they include the closeout activities involved in the final administration of the existing master water sales contract with San Francisco which expires on June 30, 2009, and the administration of the new master water sales agreement which takes effect July 1, 2009.

The careful supervision of new procedures and provisions in the new agreement is critical to ensure that BAWSCA and San Francisco are doing what is required under the contract. Documenting the procedures of the new agreement is essential. Mr. Jensen noted that the new agreement with San Francisco is a 25-year contract and would likely be administered in its final years by individuals in their 30's, who would just be entering kindergarten at this point in time. BAWSCA will work closely with San Francisco on this task, and will provide the board of its progress over time.

The implementation of short-term solutions for the water supply limitations up to 2018, and the development of solutions to address long-term water supply needs up to 2030 are two critical activities for FY 2009-10. The Technical Advisory Committee (TAC) supports the idea of a regional water management plan that would address the issues of short-term and long-term water needs. In addition to working with San Francisco, BAWSCA and its member agencies would broaden that relationship and seek joint projects with other agencies like Santa Clara Valley Water District.

The initial step for implementing short-term solutions begins with the conservation implementation plan that will identify conservation measures, and determine the resources necessary for implementing, managing, administering and developing the tools that measure the results of the expanded programs.

Developing long-term solutions will require the agencies' individual actions, as well as collective actions that can take advantage of the existing water system, joint projects and water transfers and trading.

Mr. Jensen noted the decisions made by the SFPUC and San Francisco Planning Commission on October 30th that brought concerns from the BAWSCA board about how policy decisions are being made and who is making them, particularly in regards with the water supply limitation up to 2018.

Mr. Jensen stated that San Francisco's decision to limit wholesale water sales to 184 mgd up to 2018, even after years of analyses to develop a water demand projection up to 2030, leaves BAWSCA member agencies with uncertainties about where future supplies will come from and how reliable supplies will be.

As reported at the November board meeting, additional environmental information was requested by the Commissioners of the San Francisco Planning Commission from the staff of the Major Environmental Analysis (MEA) department. A presentation from MEA and SFPUC staff in December 2008 reported the types of fishery studies and other environmental studies necessary by 2018 for the PUC's decision-making in considering what supplies would be made available after 2018.

Mr. Jensen noted that his comments to the SF Planning Commission is that those studies be done well, and completed as soon as possible because San Francisco and the communities of the wholesale customers can't wait until after 2018 to find out where additional water is going to come from.

Mr. Jensen emphasized that BAWSCA member agencies need to take responsibility for strengthening its local water management plans, as well as working together in developing a regional water management plan that will ensure water supply reliability and bring the decision-making process to the governing bodies of each member agency.

Activities and resources necessary to begin the efforts to develop long-term solutions need to be considered in the budget development for FY 09-10. Mr. Jensen recommended, and the board policy committee agreed, that developing the scope of work for a study that will provide a plan that define who must do what by when, and determine how member agencies can reliably meet water needs beyond 2018, should be included in next fiscal year's activities.

The board policy committee's substantial discussion of the scope is reflected in the summary report included in the agenda packet. Mr. Jensen will come back to the board with a preliminary budget and list of activities for FY 09-10 for the board's review and comment.

Director Quirk noted the importance of getting all the agencies thoroughly involved and committed to developing and implementing the solutions the board want to move forward with.

Director Swegles referenced a letter sent by SCVWD's task force to the Association of Bay Area Governments (ABAG) to consider the impact of new housing on water use. He also noted the significant conservation potential in sub-metering multi-family housing units. Director Quigg asked about what kinds of progress has been made with commercial conservation opportunities. Mr. Jensen referred the questions to Ms. Sandkulla's presentation on the status of the conservation implementation plan.

- B. BAWSCA Conservation Implementation Plan – Status Report: Ms. Sandkulla noted that funding for the conservation implementation plan was authorized by the board this year with the objective of developing an implementation plan for BAWSCA and its member agencies to meet the water efficiency goals that have been committed to as part of the 2004 water demand projections done with San Francisco, and to look at how to stay within San Francisco's water supply limitation of 184 mgd to at least 2018.

BAWSCA and the workgroup, comprised of representatives from BAWSCA member agencies and SCVWD, are focused on developing a plan that is practical and clearly defines who must do what by when. Since November, the population and employment projections have been updated according to ABAG's 2007 data. The total water demand projections have also been updated.

Ms. Sandkulla presented and explained the updated data which shows slight changes from data in 2004. The total demand projections for 2018 and 2030 are consistent with projections from the 2004 study. Current data shows a 2 percent demand decrease in 2018, and a 2 percent demand increase in 2030.

Surveys on the implementation and financing of conservation programs by BAWSCA and other regional water entities were conducted and completed. Results of the surveys are being evaluated by the workgroup to help put together a conservation package that would work best for BAWSCA agencies.

The re-evaluation of 32 conservation measures initially looked at in 2004 resulted in the selection of five additional conservation measures for evaluation. The measures fall under two categories: increased penetration of existing programs that are proven successful, and implementation of ordinances targeted at new development.

Ms. Sandkulla reported that the workgroup felt strongly about building on the success of the washing machine rebate program, the high efficiency toilet (HET) rebate program, and the landscape classes. The workgroup also expressed greater interest in the implementation of ordinances, and felt that a regional approach would help push the effort forward.

Ms. Sandkulla emphasized that it is critical for BAWSCA member agencies to re-examine its overall water supply portfolio in 2018 and 2030, and determine whether it will change based on developing supplies not yet identified, impacts of cutbacks, and projected purchases from the SFPUC.

BAWSCA will continue to work with the workgroup to finish the analysis of the existing 32 conservation measures and the 5 new ones. BAWSCA will meet with Pacific Institute and continue holding workshops with the workgroup in January and February. Preliminary budget recommendations will be presented to the board in March.

In response to questions from board members, Ms. Sandkulla explained that the impacts of the current economic meltdown has not been considered in the projections to a significant degree, and may come with the scoping for the development of a long-term solution to meet water supply needs. Mr. Jensen added that it would be difficult to forecast the impact of any economic slowdown because the duration is unknown. The issue will be considered, and reasonable assumptions made on what kinds of impacts it will have.

The amount of water used by the employed population today and the amount of water they would use at home after they retire has not been examined in the demand projections. It is similar to the comparison of water use between two different populations, and it raises a question to continue to keep an eye out for further developments in this phenomenon.

Price sensitivity is not factored in the demand projections because savings associated with the customers' activities resulting from price increase have already been incorporated into the model. In terms of education and information for residents when they get the price signal, Ms. Sandkulla explained that getting the message of water conservation out to the residents by offering assistance to reduce their water use through conservation measures, and having the message heard, is the goal of the conservation analysis.

In regards with Director Quigg's questions, Ms. Sandkulla explained that commercial conservation opportunities exist through HET rebate programs, landscape classes and large landscape audits. A program targeted to commercial customers is the Water Efficient Technology Program. The program calls for an investment from the commercial customer, and has not appeared as attractive to water agencies. BAWSCA will continue to look at the program and ways it can be developed.

Ms. Sandkulla noted that a component of the hybrid HET rebate program being evaluated will specifically target residents of condominiums who are doing home projects. Commercial customers are a hard market to reach, but will respond to attractive rebate offers that are easy to implement.

Ms. Sandkulla emphasized that San Francisco's water supply limitation creates a gap between the available supply and the member agencies' water demands. The conservation measures that are being examined are all cost effective than the next increment of water that will be needed to fill the gap, despite future price increases.

10. Action Calendar:

- A. Approval of Position Description, Title and Compensation: Water Resources Engineer – Mr. Jensen presented a recommendation to the board to modify the position description of Water Resources Planner, which became vacant in October 2008. The modification would create a new position of Water Resources Engineer, and would require the qualifications of an engineering background to help BAWSCA address current and future challenges.

The compensation analysis for the modified position was not yet completed at the time of the board policy committee meeting. The committee agreed that staff should complete the compensation analysis and present a recommendation to the board.

Mr. Jensen hopes to fill the position promptly to provide the support needed to complete current activities of the agency. The net increase for the remainder of the fiscal year is approximately \$7,000. The annual increase is \$21,000 at a mid-range salary.

Director Breault commented that the bar is set too low and suggested that the minimum requirement of an engineering training certificate be removed, and consider whether a civil engineer or a licensed professional engineer will satisfy the needs for the position.

M/S/C (Quirk/Pierce/Unanimous) that the board approve the modification of the position title to Water Resources Engineer, the position description, the compensation, and the removal of having an engineering training certificate as a minimum requirement.

- 11. Directors' Discussion:** Director O'Connell thanked Chair O'Mahony for her leadership and contributions to the BAWSCA and RFA boards.

Chair O'Mahony thanked the members of the board, Mr. Jensen, BAWSCA staff, Patrick Sweetland as a member of the San Francisco Revenue Oversight Committee, Ed Harrington, and the staff of the SFPUC.

- 12. Adjournment:** The meeting was adjourned at 9:10pm.

- 13. Date, Time and Location of Next Meeting:** The next meeting is scheduled for March 19, 2009, 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
January 15, 2009**

Attendance Roster

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
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
Rob Guzzetta	California Water Service Company
Larry Klein	City of Palo Alto
VACANT	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
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 Livengood	City of Milpitas
Chuck Reed	City of San Jose