

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

**February 11, 2009 – 1:30 p.m.  
155 Bovet Road, 1<sup>st</sup> Floor Conference Room**

<b>MINUTES</b>
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**1. Call to Order: 1:35 p.m.**

Committee Chair Kelly Fergusson called to order at 1:35. Ten (10) members of the committee were present, constituting a quorum. A list of directors present (10), absent and members of the community attending is attached.

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

**3. Reports:**

Comments by Chair and Committee Members:

Committee Chair, Kelly Fergusson, welcomed the committee and its new members. She noted the committee's role as advisory to the board and general manager regarding policy issues related to BAWSCA's goals. She emphasized that the committee is most effective with the active involvement of its members.

Chair Fergusson noted that BAWSCA has a demanding list of results to achieve in fiscal year 2009-10. The list includes the ongoing monitoring of the SFPUC's Water System Improvement Program (WSIP), implementing the first year of the conservation implementation plan, transitioning from the 1984 Master Water Sales contract to the new master water supply agreement between San Francisco and the wholesale customers, and determining how to achieve future water supply reliability given the water supply limitation recently imposed by San Francisco.

BAWSCA Chair John Fannon emphasized the diversity of the committee's composition, and supported Chair Fergusson's comments about the role of the committee. He thanked the members for their willingness to serve on the committee.

Director Wykoff clarified his advocacy for alternative and reliable sources of water supplies to be in conjunction with the Hetch Hetchy supply, and not as a replacement of it. He emphasized that the search for additional reliable sources of water supplies could be a joint effort with San Francisco or among BAWSCA agencies.

Director Swegles asked about the mandatory rationing percentage being considered by the Santa Clara Valley Water District (SCVWD). Nicole Sandkulla reported that the SCVWD board deferred its decision until March 24<sup>th</sup> when further information on water supply conditions would be available from the State

Reports by the Chief Executive and General Manager:

- A. Water Supply Conditions: Mr. Jensen reported that even with recent storms, agencies should have guarded optimism. A median precipitation this year will not make up for the last two dry years, yet it is unlikely that water reductions from the San Francisco regional water system would exceed 20% system-wide.

It is too early to forecast water conditions in the coming months. Current information from San Francisco indicate that there is a 53% chance that water use reduction would be less or equal to 10%, and a 35% chance that water use reduction would be equal to or greater than 20%.

Mr. Jensen stated that under the Interim Water Shortage Allocation Plan (IWSAP), a 15% system-wide cutback would mean a 25% water use reduction for BAWSCA agencies.

The SFPUC can make a determination whether rationing will be necessary following the completion of the Sierra snow survey which begins on April 1<sup>st</sup>. Determining the need for water rationing is a difficult decision for water managers.

- B. Conservation Implementation: Staff continues to work with the a technical group comprising staff from each BAWSCA agency to develop an action plan for achieving the water conservation levels needed by 2018 and 2030.
- C. Water System Improvement Program Update: Mr. Jensen reported that commissioners of the SFPUC received a staff report on the geotechnical work done on the Harry Tracy Water Treatment Plant. Options presented to the commission included further improvement to the facility to meet the level of service (LOS) reliability goals for an additional \$150M, building a new treatment plant at another location, or keeping the current plant and reducing the LOS reliability goals. The commission took no action on staff recommendations, but expressed their support for retaining the existing reliability goals and improving the HTWTP at its existing location.
- a. Public Comment: Josh Cooperman, resident of the Town of Hillsborough, expressed his concerns with the seismic and geological safety of Crystal Springs Dam and the sufficiency of recent geological studies. He believes that failure of the dam would cause a disaster for the residents and communities around it.

Mr. Cooperman said that he has not concluded the dam to be unsafe, he would like the SFPUC to have seismic experts determine whether past and recent evaluations of the dam are sound and take advantage of current knowledge and assessment methods.

Mr. Jensen reported his recommendation to the SFPUC is to have its task force of seismic experts evaluate the recent state and consultant reports to determine whether their work is sound and conclusive and to document what additional work, if any, they would recommend.

Director Quirk supported Mr. Cooperman's desire to have a definitive and well-founded evaluation of the dam. Director Guzzetta commented that portions of Cal Water's system are down-stream of the dam, and that they have an interest in the seismic and geological condition of Crystal Springs Dam.

Mr. Jensen reported that SFPUC General Manager Ed Harrington was receptive to his recommendation and that WSIP Program Director, Julie Labonte, is prepared to meet with Mr. Cooperman.

Committee Chair Fergusson asked for a more definitive action plan from San Francisco, which Mr. Jensen will report back to the board at its meeting in March.

- D. Special Presentation: To provide a context for future Board decisions, most immediately on the results to be achieved through next year's budget, Mr. Jensen presented: 1) BAWSCA's historical actions to address water supply and water management issues, and 2) the next big water supply challenge BAWSCA must solve.

The first part of the presentation related historical work to BAWSCA's three goals: to ensure a reliable supply of high quality water at a fair price.

Fair Price. Establishing a fair price began when San Francisco's rate increase were challenged in 1977, and the Bay Area Water Users Association (BAWUA) BAWSCA's predecessor organization, financed and negotiated the 1984 Settlement Agreement and Master Water Contract with San Francisco. BAWSCA continues to protect the wholesale customers' financial interests as it administers the master contract, implement cost-effective water conservation measures, negotiate a new agreement with San Francisco, and implement it beginning July 2009.

High Quality Water. In 1995, an SFPUC operating event resulted to the State's issuance of compliance orders to the SFPUC and wholesale customers. Consequently, a Water Quality Committee comprised of technical staff from BAWSCA member agencies was formed. The committee meets regularly with staff of the SFPUC and the State Department of Public Health and provides input to standard and emergency operations, notifications and water quality management plans.

Reliable Water Supply. Reliability has two distinct components: facility reliability and water supply reliability. The SFPUC and wholesale customers began addressing facility reliability in the 1990's by collaborating on studies of system reliability. In 1995, six years after the Loma Prieta Earthquake, the bond rating agencies announced they would stop rating San Francisco water bonds because there was no program to ensure the system met modern seismic standards. BAWSCA (then BAWUA) supported the development of San Francisco's Capital Improvement Program (CIP). The objective of that program was to ensure well-constructed and well-maintained facilities that will provide dependable delivery of water during normal operations, routine and corrective maintenance, and after earthquakes or other disasters when water is most precious. The CIP was finally adopted in 2002, after Assembly member Papan introduced legislation to compel it to do so. That year the legislature passed the Wholesale Regional Water System Security and Reliability Act, AB1823 (Papan). Today, BAWSCA ensures that AB1823 is implemented and that the SFPUC completes the CIP (revised and renamed the Water System Improvement Program in 2005).

The earliest efforts by wholesale customers to address long-term water supplies for the region began prior to 1913. The Raker Act in 1913, which was supported by several current BAWSCA member agencies, enabled the development of a reliable water supply system for the Bay Area. BAWUA, representing the wholesale customers, were among the founders of the California's Best Management Practices for Water Conservation. In

2000, under a Memorandum of Understanding, the SFPUC and wholesale customers completed a Water Supply Master Plan. While the results of that plan were not implemented, formal water supply alternatives were developed and evaluated as part of the SFPUC's Program EIR for the Water System Improvement Program. BAWSCA was a major contributor to the data and analyses included in the PEIR, one goal of which was to meet projected water needs through the year 2030.

That work culminated in San Francisco's certification of the PEIR, followed by the SFPUC's adoption of an alternative that does not meet water needs to the year 2030. In October 2008, the SFPUC imposed a limitation on supplies available to all its customers until the year 2018.

The Challenge Facing BAWSCA and its Members. San Francisco's water supply limitation caps member agencies' purchases of water from San Francisco at 184mgd, 10mgd less than their projected 2018 purchases of 195mgd. Agencies had already committed to implement 11mgd of new water conservation by 2018. To stay within the supply limitation, agencies will need to reduce water use by an additional 11mgd, or a total of 22mgd before 2018.

To accommodate further anticipated growth in population and jobs, an additional 16mgd of water will need to be conserved or produced before 2030.

Mr. Jensen explained that a negative 38mgd in available supplies by 2030 is equivalent to Cal Water's total current water purchases from San Francisco, or to all current purchases by the cities of Hayward, Palo Alto, Menlo Park and Millbrae combined.

BAWSCA and its member agencies are faced with a critical challenge of taking actions now and making decisions that will have long-term significance to meeting their future water needs reliably.

This challenge can be met in two phases: near-term to 2018 and long-term beyond 2018. Because there is insufficient time to evaluate, plan, permit and build new sources of water by 2018, near-term results must rely on increased water conservation and expansion of existing water recycling facilities. By beginning immediately, new sources and additional water efficiency could be identified and put in place in order to meet needs beyond 2018. BAWSCA's current water conservation implementation plan updates its member agencies' projected water needs and the analysis of cost effective measures to meet the supply limitation of up to 2018. It will result in a plan or blueprint, of who must do what to meet our communities' needs and stay within the supply limitation imposed by San Francisco. The development of long-term solutions can begin next fiscal year by preparing a detailed scope of work for achieving water supply reliability through at least 2030.

Presentation of Results to be Achieved in Fiscal Year 2009-10 and Preliminary Budget Estimate. Mr. Jensen reported that a mid-year budget review in January showed no necessary changes to planned activities and spending. BAWSCA will complete FY 2008-09 with projected expenditures equal to approximately 95% of the approved budget. Mr. Jensen noted that the results to be achieved through the FY2009-10 budget include implementation of conservation measures identified during development of the Water Conservation Implementation Plan. The budget also covers the work needed to find the 38mgd of new water savings and supplies before 2030.

Preliminary budget estimates presented to the committee show a 4% decrease from last year's budget. Funding the budget can be achieved through an increase in assessments, as projected would be necessary last year, and the use of reserves.

Mr. Jensen noted there will be a change in how conservation programs are administered. The current subscription process for conservation programs requires BAWSCA to act as "banker" for conservation measures implemented by BAWSCA. This practice was easily accommodated when BAWSCA began its programs, but has caused increased financial strain on the agency due to the growing number of programs and participating agencies. Because participation is expected to grow significantly over the next several years, BAWSCA reviewed the matter with its auditors and will consider having agencies pay a portion of the cost of the programs when they sign up to participate. Payments would be tracked in separate accounts set up for each agency. The Technical Advisory Committee was notified of the new process being considered, and were advised to begin talking with their financial staff to review any issues.

The committee discussed three funding alternatives:

1. Maintain current assessments and maintain a reserve balance equivalent to 9% of the budget.
2. Increase assessments by 9% and maintain a reserve balance equivalent to 16% of the budget.
3. Increase assessments by 15% and maintain a reserve balance equivalent to 22% of the budget.

The general manager's preliminary recommendation for an increase in assessments by 9% received support from some committee members.

Other committee members expressed their concerns with BAWSCA's critical challenge of meeting 38mgd of new water supplies and savings, and suggested consideration of additional funding needed to begin a scoping study sooner, if that proves to be productive. Director Quirk asked what can be achieved if an additional \$100,000 in funding were provided. He emphasized he was not recommending the increase, but that he would like to be able to consider what more could be accomplished if it were possible to provide funding.

Director Guzzetta had no objections to necessary assessment increase, but recommended to hold back on spending until it is proven essential.

Director O'Connell questioned why independent grant applications, introduction of major legislation, and extended analysis of cost allocation were not included in the budget for FY 2009-10. Mr. Jensen explained that these activities were not currently anticipated but that they could, if needed, be accommodated during the year by redirecting portions of the budget and/or augmenting the budget from reserves.

Mr. Jensen noted that BAWSCA continuously look for grant opportunities in conjunction with other regional water suppliers and participates in regional grant applications

**4. Action Calendar:**

A. Approval of the Minutes from December 10, 2008 Meeting:

**M/S/C (Quirk/Fannon/Swegles, O’Connell, Pear abstained) that the minutes from the meeting of December 10, 2008 be approved and filed.**

**5. Comments by Committee Members:**

Director Pierce announced that she and Director Swegles will be at the League of California Cities Water Task Force meeting which would be a great place of opportunity to share information. The meeting will be held on April 16<sup>th</sup> in Sacramento.

Mr. Jensen reported that BAWSCA will be sponsoring California Native Plant Society’s Growing Natives Symposium on March 28<sup>th</sup> and 29<sup>th</sup>. To date, a significant number of the registrants for the Symposium are from communities within the service area of BAWSCA member agencies.

Mr. Jensen also noted that BAWSCA continues to work with Bay Area organizations, including Tuolumne River Trust and Sustainable Silicon Valley to name a few, in putting together an awards program to recognize entities that demonstrate leadership in water conservation.

**6. Adjournment:** The committee adjourned at 3:45. The next meeting of the committee is April 8, 2009 at 1:30pm in the 1<sup>st</sup> floor conference room of the BAWSCA office building.

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  
December 10, 2008**

**Attendance Roster**

**Committee Members Present:**

Kelly Fergusson, Chair	City of Menlo Park
Bill Quirk, Vice-Chair	City of Hayward
Robert Craig, Vice Chair	Westborough Water District
John Fannon	Town of Hillsborough
Rob Guzzetta	California Water Service Company
Irene O'Connell	City of San Bruno
Matt Pear	City of Mountain View
Barbara Pierce	City of Redwood City
Ron Swegles	City of Sunnyvale
Rick Wykoff	Estero Municipal Improvement District

**BAWSCA Staff Members Present:**

Arthur Jensen	Chief Executive Officer/General Manager
Nicole Sandkulla	Senior Water Resources Engineer
Lourdes Enriquez	Assistant to the CEO/General Manager
Ray McDevitt	Hanson Bridget, LLP.
Bud Wendell	Management Communications

**Guests:**

Peter Drekmeier	Tuolumne River Trust
Pooja Gupta	Tuolumne River Trust
Sharyn Saslafsky	San Francisco Public Utilities Commission
Bob Anderson	Purissima Hills Water District
Robert Glockner	SHGCC, Menlo Park
Stan Williams	Poseidon
Josh Cooperman	City of Hillsborough