

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
September 16, 2010 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order and Roll Call – 7:05 pm

BAWSCA Vice-Chair Barbara Pierce called the meeting to order and led the salute of the flag. Art Jensen called the roll. Seventeen (17) members of the board were present, constituting a quorum. A list of directors present (17) and absent (9) is attached.

2. Comments by the Chair: Vice Chair Pierce reported that she is conducting the board meeting at the request of Chair Fannon, who was unable to attend meeting. She noted that she had been at the League of California Cities Conference in Southern California and returned to the Bay Area for the BAWSCA Board meeting. She will be returning to the conference immediately after meeting adjourns to attend to her responsibilities at the conference.

Vice-Chair Pierce commented on the tragic event experienced by the citizens and staff of the City San Bruno on September 9th. She recognized Director O’Connell’s role as a member of San Bruno’s City Council and the responsibilities she shoulders in helping lead the rebuilding effort in the devastated community. Vice Chair Pierce noted that Director O’Connell’s fifteen years experience in City Council and Community Organizations will help restore San Bruno and care for its residents. On behalf of the BAWSCA Directors and CEO, staff and member agencies, Vice Chair Pierce asked Director O’Connell to extend to the City Council and community residents her deepest sympathy.

3. Board Policy Committee Report: Director O’Connell noted that the summary of the Board Policy Committee meeting held on August 11th is included in the agenda packet. She stated that she can answer questions members of the board may have.

Director O’Connell reported that the City of San Bruno has received an outpouring of aid, spiritual support, and donations of every kind since the October 9th natural gas pipeline explosion occurred. On behalf of San Bruno, Director O’Connell expressed her appreciation to the BAWSCA Board, member agencies and staff members for their continued support when the real work begins.

Director O’Connell thanked Art Jensen for his outstanding response in calling the SFPUC to make sure that there would be no interruption of water supply for the firefighters, and that the Harry Tracey Plant was not affected by the explosion. Director O’Connell was appreciative of the informative report Mr. Jensen provided her to share with the City Council within an hour of the disaster.

- 4. Chief Executive Officer's Reports:** Mr. Jensen expressed his appreciation to the SFPUC for their work on September 9th in getting the word out to all the BAWSCA member agencies that the Regional Water System was not affected by the explosion in San Bruno.
- A. Administration of New Water Supply Agreement (Agreement) – First Year Report: Mr. Jensen reported that the new Agreement has been in place for one year, and is working very well. The twelve milestones scheduled for the first year were completed on time, including the formation of a joint Water Quality Committee between the SFPUC and BAWSCA members. The committee is comprised of technical staff from each BAWSCA member agency. The chair and vice chair of the committee alternates between BAWSCA agencies and the SFPUC personnel. Justin Ezell from the City of Redwood City is the current chair of the committee until the end of the calendar year. Andrew De Graca will become chair at the subsequent year. The committee has completed updating notification plans and other activities related to ensuring high quality water.
- John Ummel continues to review financial information and maintains a cooperative relationship with the SFPUC. BAWSCA will continue to track provisions of the Agreement.
- B. San Francisco Establishing Interim Supply Allocation – Update: BAWSCA has been working with each agency's appointed Water Management Representative to investigate whether an Interim Supply Allocation (ISA) recommendation could be generated for submission to the SFPUC. Mr. Jensen re-emphasized that the ISA is not the same as the drought allocations which BAWSCA has also been working on with each agency. The ISA applies in normal years, and are established as a result of San Francisco's unilateral decision in 2008 to impose water supply limitations until 2018.
- Mr. Jensen reminded the board that San Francisco will also establish an Environmental Enhancement Surcharge to serve as a financial incentive to keep total use of SFPUC water supplies within the limitation it imposed.
- Mr. Jensen noted that the Water Supply Agreement does not say that wholesale customers agreed to the limitation. However, the Agreement does contain procedural language on the administration of the supply limitation and the environmental surcharge. San Francisco is required to establish the allocations for each wholesale customer by the end of the calendar year.
- Mr. Jensen noted that in the Agreement, the agencies reserve the right to challenge in a court of law, if necessary, the interim supply allocation San Francisco assigns to an agency, the imposition of the surcharge, or both. This is in part the reason why agencies did not, through the Agreement, delegate the BAWSCA board authority to set the Interim Supply Allocations.
- Mr. Jensen reported that the SFPUC has been soliciting input from, and providing information to, each BAWSCA agency. The SFPUC is expected to brief the Commission on setting the ISAs and the Environmental Enhancement Surcharge on November 9th. At the December 14th SFPUC meeting, the Commission will consider

and establish the ISAs. The Commission will consider and establish the Environmental Enhancement Surcharge as part of the SFPUC's normal rate setting in March 2011.

Director O'Mahony commented that it would have been helpful for San Francisco to wait on the agencies' Urban Water Management Plans (UWMP), that would need to be submitted by the end of this year, before imposing the ISAs.

Mr. Jensen explained that during the negotiations of the new WSA, it was expected that the UWMP would have been completed in December 2009, and could be used to inform San Francisco's decision making. However, in 2009, the California State Legislature passed senate Bill SB7. That bill's requirements affect UWMP's, and as a result, the State granted agencies 6 month extensions. Mr. Jensen acknowledged Director O'Mahony's comment and noted that the timing is unfortunate.

As to the Environmental Enhancement Surcharge, Mr. Jensen said that ideally no funds would be collected if every agency stayed within its ISA. However, if a surcharge is imposed, the funds can only be used for the intended purpose stated in the Agreement, which is on specified environmental enhancement or restoration projects. Additionally, the managers of the SFPUC and of BAWSCA are delegated the authority to direct how the funds are spent.

C. SFPUC Fiscal Year 2009-10 Annual Progress Report on the Water System

Improvement Program and June 30th Quarterly Progress Report. Mr. Jensen reported that all projects are within their defined scopes, and that the overall budget forecast is within the approved budget of \$4.5 billion. The budget forecast not only accounts for projects that cost more, but also the savings from the low bond interest rates and favorable bids received on the construction projects. The SFPUC continues to monitor contract bids against the actual cost of projects including change orders.

The overall program schedule is within the approved completion date of December 2015. However, eight projects are delayed by 5 months or more beyond the SFPUC's approved project schedules, and the number of projects to be in construction during the last year of work increased from two to six. Last year BAWSCA, SFPUC staff, the California Seismic Safety Commission (CSSC), and others raised the question of whether the SFPUC can effectively manage the program and complete projects on time given schedule compression observed at that time. The SFPUC formed an expert task force to assess their capabilities and received a good bill of health. The recent schedule delays will require continued attention.

The SFPUC's annual report to the State was submitted on September 1st, and a brief memo on the report is included in the Board packet. Some information is missing in the document and the SFPUC will be re-issuing the report to comply with the law. BAWSCA will review the report and provide the BAWSCA board with its assessment at its November meeting.

Director Pear asked what the reasons were for the project delays cited in the memo. Mr. Jensen explained that for some projects, the SFPUC have to modify project designs because of new information and obstacles that arose. The Calaveras Dam Project, for example, involves complicated and numerous permitting and environmental issues,

which cannot be rushed. Mr. Jensen noted that the delays are unfortunate, however, they are not due to lack of attention.

- 5. SFPUC Report:** SFPUC General Manager, Ed Harrington, addressed the board and confirmed Mr. Jensen's reports on the setting of interim Supply Allocations and the WSIP project delays.

Mr. Harrington reported that construction activities for the Bay Division Pipeline #5 project are currently taking place, and that although the activities have been disruptive to many residents, they have been very understanding of the fact that their homes lie on the pipeline right of way. The SFPUC appreciates that the constituents of the BAWSCA service area have been cooperative. The project has encountered issues such as contaminated water, archeological digs, and Indian burial grounds. More challenging issues include finishing the environmental review and permitting processes for other projects, particularly with the Calaveras and Crystal Springs Dams.

Mr. Harrington introduced David Briggs, SFPUC Division Manager of Water Supply and Treatment, to talk about the SFPUC efforts to assist the City of San Bruno the evening of September 9th.

Mr. Briggs reported that the SFPUC received calls from employees who live in San Bruno and was able to immediately respond to the events on September 9th. The SFPUC was able to pinpoint the location of the explosion within minutes and determine whether the Harry Tracy Water Treatment and transmission pipelines were going to be affected. The staff immediately increased rate at Harry Tracy, and communicated directly with San Bruno maintenance staff, Cal. Fire, and the San Mateo County Office of Emergency Services. The wholesale customers were notified that the regional system was not affected.

As for the fire response, Mr. Briggs reported that crews with water trucks were deployed to make sure that the fire was not going to profligate west. The water being dropped from helicopters was from San Andreas Reservoir, which was only half a mile away.

In response to San Bruno's requests, the SFPUC sent a plumbing crew with pumps and hoses to help with the repair and recovery efforts, and to facilitate the investigation of the scene by the NTSB and PG&E.

Mr. Briggs responded to a request to report on what measures the SFPUC was taking to determine whether their own facilities were at risk of gas pipeline ruptures. Mr. Briggs reported that the SFPUC issues permits and easements whenever PG&E or any party comes into or near SFPUC property. There are 700 easements and permits issued to PG&E in four counties within the regional water system. Twelve permits are associated with gas pipelines that are 12 inches or larger in diameter. The SFPUC will be reviewing the nature of the crossings, where they are, the vertical and horizontal separation, and how much system redundancy SFPUC has in that area.

Director Coverdell asked whether the SFPUC knows where the major PG&E lines cross the Crystal Springs or San Andreas Dams. Mr. Briggs reported that there are two PG&E pipelines that cross San Mateo Creek that are approximately 500-1000 feet from Crystal Springs Dam. The PG&E pipelines north of San Mateo Creek that are on SFPUC property

are very well marked. There are other PG&E pipelines near Bay Shore that the SFPUC is looking into to see where they cross SFPUC lines.

In response to Director Weed's inquiries, Mr. Briggs noted that he can be contacted regarding concerns about specific locations. As to automatic shutoff valves, Mr. Briggs said the SFPUC has seismically-actuated valves in the Irvington area. Mr. Briggs explained that while the system can't be designed for every possible natural disaster, minimizing recovery time through automatic shutoff valves will help keep the area accessible so that necessary work can be done as soon as possible.

Mr. Jensen asked what additional investigations the SFPUC is doing to address questions raised by some constituents about the safety of the Crystal Springs Dam, and when they might be done. Mr. Briggs reported that all investigations on the Crystal Springs Dam, including stability studies, are complete. A regular monitoring program is done in conjunction with the Department of Water Resources, Division of Safety in Dams.

The Engineering Department of the Town of Hillsborough is organizing a meeting with the Division of Safety of Dams (DSOD), San Mateo County Office of Emergency Services (OES), SFPUC staff and URS consultants, to go over technical details regarding concerns voiced by the community about what studies have been done and whether the studies were thorough. The meeting is scheduled for September 28th.

6. **Public Comments:** Public comments were made by Wynn Grcich, Linda Corwin, and Michael Francois.

7. **Special Reports:**

- A. Status Report on Long-Term Reliable Water Supply Strategy: Anona Dutton presented the progress made since the board's authorization in July to move forward with the Strategy's Phase IIA. Negotiations and execution of the contract with Camp, Dresser McGee (CDM), the technical consultants, were completed and work on the technical aspects of the scope has been initiated as of August. Concurrently, BAWSCA is coordinating efforts with all the member agencies to obtain technical input for the development of the Strategy. There will be a series of workshops and one-on-one meetings between BAWSCA, the technical consultants and the appointed water supply management representatives from the member agencies to ensure that all of our efforts and information is efficiently shared and coordinated as the effort moves forward. Policy decisions will be brought to the board.

Ms. Dutton noted that Board Policy Calendar included in the agenda packet lists key policy decisions that will be presented to the Board Policy Committee and the Board.

- B. Drought Implementation Plan – Progress and Schedule: Ms. Dutton was pleased to report that on August 26th, the agency appointed Water Supply Management representatives reached consensus on a specific Tier II plan for the Drought Implementation Plan. Each representative will recommend the Tier II plan to their governing bodies for consideration and action. The SFPUC will honor the resulting

allocations if the Tier II plan is unanimously agreed to by all governing bodies of each agency.

In October, BAWSCA will be distributing the supporting explanatory materials and a draft resolution that can be used by each agency in presenting the Tier II plan to their governing bodies for action. The adoption process by each agency is expected to occur in November through February so that the plan can be in place by early Spring. Ms. Dutton noted that the timing is critical because if a water shortage emergency or a drought takes place, a plan is needed to allocate limited supplies. Secondly, agencies need this information for the development of their Urban Water Management Plans. BAWSCA will be working actively to provide additional support needed by member agencies during the adoption process.

Directors Laporte and Pierce expressed their appreciation for the amount of work put in by Nicole Sandkulla and her team in bringing the member agencies together despite the difficult issues.

8. Action Calendar:

- A. Authorization for the CEO/General Manager to Negotiate and Execute a Professional Services Agreement for Technical Assistance to Develop a Preliminary Assessment of Regional SB7 Targets and Water Savings Requirements for the BAWSCA Agencies on an Individual, Sub-Regional and Regional Basis: Chair Pierce presented the Action Calendar, and noted that the first item is consideration of a valuable regional service BAWSCA can provide to its member agencies. It is the evaluation of the potential benefits of complying with Senate Bill 7 (SB7) on a regional or sub-regional basis. Mr. Jensen stated that he is happy to answer questions or provide a report to the board in addition to the comprehensive memo provided in the packet.

Director O'Mahony asked why SB7 states "most" agencies in requiring water allocation to be reduced by 20% by 2020. Mr. Jensen explained that the state's target is 20% reduction by the year 2020 statewide. What an individual agency has to do is not necessarily 20%. The Bay Area, compared to other parts of the State, already has relatively low per capita use, therefore, the impacts for many of the member agencies will not be 20% by 2020.

The legislation contained some parameters and tasked the Department of Water Resources (DWR) with producing guidelines for implementation of the legislation. The legislation allows agencies to work together to meet the goal. Additionally, the legislation specifically notes BAWSCA as an entity and can help its agencies perform a regional analysis.

Director Laporte, asked if the technical study would take into account the new Cal Green Requirements that specify 20% more efficiency in new buildings.

Ms. Dutton stated each agency will incorporate water savings from Cal Green requirements or other measures as they update their projections of future demands. Mr. Jensen added that one value of the proposed technical study is that it provides a tool that can be updated as agency data are refined over the coming months.

Director Pear stated that the City of Mountain View is incorporating Cal Green into its Green Ordinance.

Mr. Jensen reported that in selecting consultants BAWSCA routinely forms selection panels that include outside individuals, such as member agency staff, as well as BAWSCA staff members. On this occasion, Justin Ezell from the City of Redwood City sat on the panel along with Mr. Jensen, Nicole Sandkulla and Anona Dutton. This panel reached a unanimous recommendation.

Mr. Jensen disclosed that an outside reviewer was beneficial in avoiding the appearance of bias because one of the responding firms, and the firm that is recommended, Erler & Kalinowski, Inc., is the firm where Anona Dutton used to work. Mr. Jensen clarified that Ms. Dutton has no financial interest in EKI and will not benefit in any way from the award of the contract.

M/S/C (O'Connell/Anderson/Unanimous) that the board authorize the CEO/General Manager to negotiate and execute a contract with Erler & Kalinowski Inc. (EKI) for technical services to support the development of a Preliminary Regional SB7 Analysis for a not-to-exceed amount of \$20,000

B. Adoption of Amended BAWSCA Conflict of Interest Code: .

M/S/C (Coverdell/Wyckoff/Unanimous) that the board, by roll call vote:

- a. Approve, by resolution, the attached amended Code, direct the CEO/General Manager to forward a copy of the Code to the Fair Political Practices Commission (FPPC); and,**
- b. Authorize the CEO/General Manager to take any other steps necessary to implement the resolution.**

9. Consent Calendar:

M/S/C (O'Connell/Anderson/Unanimous) that the Minutes of the July 15, 2010 meeting be approved, the Pre-Audit Budget Status Report for period ending June 30, 2010, and Monthly Investment Report for period ending August 31, 2010 be received and filed.

10. Adjournment to Closed Session: The meeting adjourned to closed session at 8:15pm.

11. Reconvene to Open Session: The meeting reconvened at 8:35pm.

12. Discussion and Possible Recommendation for Adjustment to CEO/General Manager Annual Compensation for FY 2010-11: Vice Chair Pierce reported that the board discussed the major accomplishments Mr. Jensen has helped BAWSCA achieve in terms of the negotiation of a new Water Supply Agreement, and the undertaking of the Long-Term Water Supply Strategy. There is good management of staff and the agencies are very well represented.

There was interest in increasing the Board's involvement. The board will work with Mr. Jensen in addressing this interest.

Vice Chair Pierce reported that the Board Policy Committee recommends a 3.01 COLA adjustment to the CEO's salary. Vice-Chair Pierce acknowledged the challenging economic times for many jurisdictions, and explained that the recommendation is based on BAWSCA's combined composition of cities, districts and private entities that have varying economic experiences, and the maintenance of highly qualified staff.

Director Mahan reported that Santa Clara's City Manager, council, and staff are taking pay cuts, and noted that the public is outraged at public employee salaries, benefits, and compensation as a whole. Although she recognizes Art's good performance, she cannot vote for a salary increase.

Director O'Connell noted that Mr. Jensen works with the public and private sectors, with the SFPUC, and with 26 member agencies. He maintains the agencies' motivation, involvement, and all other aspects that go with addressing the challenges. Director O'Connell noted Mr. Jensen's total salary history included four or five years where no increases were awarded. Director O'Connell made the motion to increase the CEO's salary by 3.01%.

Director Pear seconded the motion, and commented that BAWSCA is going into some very unique times that call upon some unique talents to balance the number of different prospective.

Director Guingona echoed Director Mahan's comments. He recognized the CEO's high quality work, but noted it is a very challenging time for a lot of the cities, and it would be difficult to go back to his governing body and constituents and justify a pay raise.

Director Quirk noted that the city council has not had a raise in six years, staff has taken a pay cut, and stated that one of the comparable people used to consider for the CEO's salary is Hayward's City Manager, and that position has not had a raise in 4 years.

Director Wykoff stated that the availability of water is one of the single most important things for the City of Foster City, and without Mr. Jensen, we would not be where we are today in regards to the SFPUC's WSIP. Director Wykoff expressed his support for the motion.

Director Coverdell noted that the professionalism he has witnessed from Mr. Jensen in the short time he has been a member of the board is impressive. Mr. Jensen has done an exceptional job and it should be a merit increase that he should have had last year and didn't get because he requested not be receive an increase. Director Coverdell supported the motion.

Vice Chair Pierce noted that the discussion by the board is very similar to the discussion the Board Policy Committee had. Her support for the 3.01% COLA increase is for the caliber of the representation BAWSCA has with Mr. Jensen and his work with the SFPUC. She was pleased that all members of the Board feel strong about Mr. Jensen's performance and asked that they continue to support him regardless of how they vote.

Director Piccolotti asked to hear from Mr. Jensen.

Mr. Jensen acknowledged his personal knowledge of and sensitivity to member agencies' financial circumstances. He appreciates the board members' compliments and will

continue to serve with the same enthusiasm and commitment for the BAWSCA Board and member agencies regardless of their individual or collective votes.

M/S/C (O'Connell/Pear/Opposed: Mahan, Guingona, Piccolotti, Quirk, Breault, O'Mahony) that the Board approve a 3.01% COLA increase to the CEO/General Manager's salary.

- 13. Directors' Discussion: Comments, Questions and Agenda Requests:** Director Coverdell acknowledged the member agencies' conservation efforts and suggested an event that recognizes water conservation.
- 14. Date, Time and Location of Next Meeting:** The next meeting is scheduled on November 18, 2010, in the Wind Room, Foster City Community Center.
- 15. Adjourn:** The meeting was adjourned at 8:20pm.

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
September 16, 2010

Attendance Roster

Present:

Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Randy Breault	Guadalupe Valley Water District
Ken Coverdell	Coastside County Water District
Michael Guingona	City of Daly City
Rob Guzzetta	California Water Service Company
Marty Laporte	Stanford University
Patricia Mahan	City of Santa Clara
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
Bill Quirk	City of Hayward
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

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Absent:

Cyril Bologoff	City of Brisbane
Robert Craig	Westborough Water District
John Fannon	Town of Hillsborough
Kelly Fergusson	City of Menlo Park
Armando Gomez	City of Milpitas
Larry Klein	City of Palo Alto
Dan Quigg	City of Millbrae
Chuck Reed	City of San Jose
Ron Swegles	City of Sunnyvale

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