

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

**April 14, 2010 – 1:30 p.m.  
155 Bovet Road, 1<sup>st</sup> Floor Conference Room**

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| <b>MINUTES</b> |
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**1. Call to Order: 1:30 p.m.**

Committee Chair Kelly Fergusson called the meeting to order at 1:30. All eleven (11) members of the committee were present, constituting a quorum. A list of the directors present (11) and members of the community attending is attached.

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

**3. Reports:**

A. Comments by Chair and Committee Members: Committee Chair Irene O’Connell announced her appointment as Chair of the Committee, and Rob Guzzetta’s appointment as Vice-Chair. She thanked former Committee Chair Kelly Fergusson and Vice-Chair Bill Quirk for their services, and BAWSCA Chair John Fannon for the opportunity to serve BAWSCA in this capacity.

Director O’Connell introduced Director Ruben Abrica, who was appointed by Chair Fannon to be the 11<sup>th</sup> member of the Committee.

Director O’Connell commented that BAWSCA continues its efforts in carrying out its goals to ensure a reliable, high-quality water at a fair price. With the negotiation of a new Water Supply Agreement completed, BAWSCA continues its work on the implementation of the Water Conservation Implementation Plan, the development of a Long-Term Reliable Water Supply Strategy, and its oversight of the Water System Improvement Program (WSIP) to ensure that it remains on time and on budget.

B. Reports by the Chief Executive and General Manager:

Schedule for Annual Review of BAWSCA’s Investment Policy: Mr. Jensen reported that the Board reviews BAWSCA’s investment policy each May. Prudent changes are being considered for recommendation to the Board and legal counsel has been asked to review both the policy and the possible changes. A recommendation will be presented to the Committee in June and to the Board in July.

Water Supply Conditions: Current water supply conditions are good. Results of the April 1<sup>st</sup> Snow Survey are not yet available, but are expected to be released soon. Drought is not expected, however, Mr. Jensen emphasized that BAWSCA will continue to work with agencies’ Water Management Representatives to complete the Drought Implementation Plan, as there is no reason to put the effort off and no resources in the proposed budget to extend the deliberative process into next year.

Water System Improvement Program - Update: Mr. Jensen reported that the WSIP continues to progress on schedule and on budget. The SFPUC issued a Notice to Proceed on April 1<sup>st</sup> to begin work on the Bay Tunnel Project. The project replaces two pipelines built in the 20's and 30's with one 9-foot diameter tunnel 100 feet beneath the bay floor.

Mr. Jensen reported that the boring of the Crystal Springs Bypass Tunnel Project is complete, and that he and Nicole Sandkulla were able to tour the tunnel in March. This project is within budget and is ahead of schedule.

Water Conservation Implementation Plan – Update: At the March 21st BAWSCA Board meeting, it was reported that the Washing Machine Rebate Program and the High Efficiency Toilet Replacement Rebate Program are both getting greater demands than what participating agencies budgeted for. Members of the Board asked three specific questions which Mr. Jensen addressed for the Committee.

1. How could unbudgeted conservation work be financed and encouraged? Mr. Jensen noted that decisions on how many rebates to fund are made by each member agency that participates in the rebate program. BAWSCA has not developed information on alternative funding mechanisms for voluntary-participation programs.
2. Are we on a trajectory to save enough water? Mr. Jensen stated that the programs are currently on a trajectory to save enough water.
3. Is it necessary to increase customer interest to increase the effectiveness of these conservation measures? Mr. Jensen noted that there is currently high customer interest in both programs.

Ms. Sandkulla added that since market interest was initially thought as one of the challenges of the program, BAWSCA put substantial effort into outreach and promotion of the program. Although the interest is currently strong, BAWSCA will continue its outreach efforts to ensure that customer interest in programs remains high so that projected savings can be realized.

Director Pierce asked if the SFPUC will make rate adjustments to reflect the lower water use by BAWSCA agencies. Mr. Jensen explained that the percentage of revenue BAWSCA agencies must pay, and the unit wholesale cost of water is adjusted each year, as prescribed by the Water Supply Agreement. For example, the wholesale water rate for next fiscal year was originally \$1.95 per hundred cubic feet. The approved wholesale rate is only \$1.90, reflecting a combination of factors including lower SFPUC bond interest, anticipated water use by San Francisco retail and wholesale customers, and actual versus projected expenses.

Sub-metering on Mobile Home Parks - Report: Mr. Jensen thanked Director Swegles for reporting to the Board the mobile home sub-metering efforts done by the City of Sunnyvale and the Santa Clara Valley Water District (SCVWD). BAWSCA will evaluate the results of SCVWD's existing program, determine the extent of interest by BAWSCA member

agencies in having a similar program, and investigate grant funding opportunities to put towards a possible joint program with SCVWD.

Director Swegles stated that this is an acceptable response to his request.

Legislation – Update: Mr. Jensen reported that AB 2488 is legislation introduced by Assembly Member Ira Ruskin to amend AB 2058. The bill simplifies the procedures for modifying the members of the BAWSCA and the composition of the Board whenever one member agency is acquired by another, such as the recent case of Skyline County Water District’s acquisition by the California Water Service Company. The bill also simplifies the administration of the oath of office, and clarifies BAWSCA’s ability to receive state grants. AB2488 is scheduled for a hearing on April 28<sup>th</sup>.

AB 2483 is a bill introduced by Assembly Member Joe Coto that significantly modifies the legislative act that established the Santa Clara Valley Water District. Mr. Jensen reviewed the bill from BAWSCA’s perspective. He found a number of areas that were unclear as to whether they might or might not be intended to limit existing authorities of BAWSCA or the City and County of San Francisco, or affect provisions of the new Water Supply Agreement.

Mr. Jensen reported that he met with SCVWD’s General Manager and members of his staff to discuss areas of the bill that appeared unclear. They clarified that there was no intent to impact these relationships. BAWSCA will continue to work with SCVWD on matters that directly affect BAWSCA and its member agencies.

Mr. Jensen stated his confidence on BAWSCA’s working relationship with SCVWD, and that BAWSCA will not have any issues with the bill as long as the matters addressed are satisfied. BAWSCA will not take position on the bill.

BAWSCA Auditor: Mr. Jensen reported that the existing 3-year contract with a financial auditor will be ending on June 30, 2010. A Request for Proposal was sent out to five firms, and responses were received from four. BAWSCA’s schedule is to complete a selection process and recommend a contract to the Board for its approval at its meeting in May.

Long-Term Reliable Water Supply Strategy (Strategy) – Timeline and Estimated Costs: The objective of the Strategy remains the same: to ensure reliable water is available where and when needed by people, businesses and community organizations within the BAWSCA service areas. BAWSCA and its consultant, CDM, are developing the technical scope of work with input from staff appointed by member agency managers to assist in this effort.

The need and purpose for the Strategy were reviewed with the Committee. Mr. Jensen stated that projected water needs will exceed available supplies within 10 years, and existing supplies remain subject to severe reductions during drought shortages. The consequences of supply shortfalls are regional and include economic impacts measured in billions of dollars per year. Mr. Jensen stated that the goal is to solve the problem by

implementing water supply management projects. Projects may be implemented by member agencies, BAWSCA or jointly.

The Strategy includes three phases. Phase I, the development of the scope of work, began in September 2009. Project meetings were held with agency appointed representatives to receive their direct input and comments on three technical memoranda. The cost for Phase I is \$114,000, and its deliverable will be a report on the scope, schedule and cost for Phase II on July 2010.

Phase II will be performed in stages. In June, the Board Policy Committee will be presented with the scope, schedule, costs, professional services contracts, and funding for Phase II for its advice and with a request to recommend the scope and budget to the Board of Directors in July. The scope, schedule, costs, professional services contracts, and funding for Phase II will be presented to the Board for its action at its meeting in July.

The Committee said the presentation clearly demonstrates significant need for the Strategy. Committee Chair O'Connell and Director Pierce commented that the slide stating the purpose and need for the Strategy and its objective to avoid the risks of water shortages should be emphasized when providing the report to the Board of Directors.

Director Fergusson added that the slide which shows the timeline and phases of the Strategy is helpful, and suggested that when the slide is presented to the Board, it should be noted that funding mechanisms for the Strategy will be during consideration of the budget.

**5. Action Calendar:**

Approval of the minutes from December 9, 2009.

**M/S/C (Fannon/Swegles/Unanimous) that the minutes of the December 9, 2009 meeting be approved.**

Planned Achievements and Proposed Budget Proposal for FY 2010-11: Mr. Jensen noted that the recommended budget for FY 2010-11 is divided into two portions: an Operating Budget and the budget for the Strategy. The Committee and Board will be asked to take separate work plan, budget, and funding actions for the Operating Budget and the Strategy. There is also a recommended adjustment to the position description, title and top-step salary for one position and the Board will be asked to act on that matter prior to considering the budget.

Art presented the twelve results to be achieved during FY 2010-11. The results are consistent with BAWSCA's goal of ensuring reliable supply of high quality water at a fair price.

Actions needed to achieve the twelve results were discussed by the Committee, particularly the area high-quality water. The Committee discussed how the Board might respond to concerns about chloramines expressed during public comments at Board meetings. In the past, BAWSCA and the Board have provided sources of information, seen that questions were directed to public health officials, and supported a resolution requesting further investigation of the possible human health-effects of drinking-water disinfectants. The Committee advised that a statement by the chair of the Board in a response to the chloramine-related public comments

at Board meetings can avoid a perception that the Board is uncaring. After a long discussion, the Committee advised the CEO that it would be helpful to have a reference document available for the public at every BAWSCA Board meeting.

Director Quirk commented that the vapor from chloramines have real and severe effects on some people and suggested that BAWSCA may consider bearing the cost to help those rare individuals who suffer from the real effects of chloramine. Director Wykoff disagreed with the idea as it conflicts with BAWSCA's goal of supplying a reliable, high-quality water to everyone.

Director Guzzetta added that chloramination is an approved method by the Environmental Protection Agency (EPA), and that every regulated compound used to disinfect drinking water will have some risk. If something must be done to address the health-effects of chloramines, it is really up to regulatory agencies like the California Department of Public Health to change the regulation.

As in future years, the proposed budget includes a list of activities that would not be funded by the budget. Director Fergusson asked if BAWSCA will be involved in supporting passage of the State water bond. Mr. Jensen stated that issues covered by the State water bond are complex and go beyond BAWSCA's goals and authorities. BAWSCA will continue to consider how the State water bond might affect member agencies' interests, but will not devote significant resources to the Bond election. The Committee agreed that the State water bond be added to the list of activities not included in the proposed workplan for FY 2010-11.

Workplan and budget challenges were presented to the Committee for discussion and consideration of whether to recommend Board approval in May.

Projected Workload Increase by one Full-Time Position: Mr. Jensen reported that there is a resource deficiency in the workloads of the Sr. Water Resources Engineer and Water Resources Planner. Ongoing implementation of water conservation programs, and completion and implementation of the Strategy project a significant increase in workload by one full-time position. The proposed workplan for FY 10-11 does not include a new position, but a review, justification, and development for the scope and compensation for a new position. When the need, scope and compensation for a new position are determined, a recommendation will be presented to the Board in January 2011 for approval.

Director Guzzetta asked what the projected workload involves. Mr. Jensen stated the projected increase in workload includes the administration of conservation programs, and implementation of the Strategy. He stated that detailed information on the needs, and alternative ways to address the needs, would be prepared as part of this workplan activity.

Director Quirk asked how the additional position will be funded, and whether it may be considered as a short-term position.

Cost Containment: A COLA increase of 3.01% is included in the preliminary budget for FY 2010-11. This value is the Consumer Price Index for Urban Wage Earners and Clerical workers

in the San Francisco-Oakland-San Jose area. An informal survey was made of comparator agencies, including the SFPUC, East Bay Municipal Utilities District, and Contra Costa Water District, to determine what adjustments, if any, they are proposing for FY 2010-11.

Mr. Jensen clarified that if a COLA adjustment were approved by the Board, it would be used to adjust the top-step salary for each staff position other than the CEO. Any increase in an individual employee's salary would be determined by the CEO based on performance. The budget for FY 2009-2010 did not include a COLA increase nor any change in compensation for the CEO.

He noted that the recommendation to include a COLA adjustment is so that BAWSCA can remain competitive with like positions in agencies with which BAWSCA may compete to retain or obtain employees.

Director Swegles commented that the City of Sunnyvale did not offer COLA increases last year, and that the city is currently reviewing its compensation and retirement program to stay competitive in the market.

Director Pear stated that the City of Mountain View is looking at total compensation and that compensation in the private sector should be considered.

Mr. Jensen stated that BAWSCA periodically examines total compensation for all positions to determine whether or not intermediate COLA adjustments maintain correspondence with comparable positions. Also, that if the Board ever wanted to examine individual benefits, that all benefits should be examined simultaneously.

Director Guzzetta noted that Cal Water just finished re-negotiating a union contract with an increase of less than 3%.

Director Quirk noted the difference between water districts and cities, and said he is not in favor of a COLA increase.

Director Fergusson stated that a COLA increase of 3% is not a lot and that it is important to maintain first-rate staff. However, she noted that cities are making deeper cuts in the coming fiscal year.

Competitive Compensation: The budget memo reports a compensation survey recently completed for the Sr. Water Resources Engineer to determine whether the position is being compensated at an appropriate level given its expanded duties. The survey was completed by an outside human resources firm through a professional services agreement within the CEO's spending authority.

The survey found that the incumbent's work is being done in other agencies by positions with the title of manager and with a top-step salary 6.7% higher than BAWSCA's currently position.

Mr. Jensen noted that the duties and responsibilities of the position have increased dramatically since the incumbent was hired 10 years ago. At that time the organization's conservation program consisted of an annual poster contest. The position led BAWSCA's involvement in joint project with the SFPUC to develop a Water Supply Master Plan and led the development of the first water shortage allocation plan. The position is now responsible for BAWSCA's oversight of the SFPUC's Water System Improvement Program, including review of scopes, schedules, budgets; development of the new Drought Implementation Plan; implementing the Water Conservation Implementation Program and preparing the Long-Term Reliable Water Supply Strategy.

The proposed budget does not include the compensation change. The Committee was asked to recommend the change in the position's description, title and compensation.

Director Pear asked if the survey looked at compensation for comparable positions in private firms. Mr. Jensen reported that the survey had only looked at comparable water utility positions.

Director Fannon recommended addressing the significant change in the position, and Director Quirk expressed his support of the recommended changes.

Proposed Operating Budget: The proposed Operating Budget for FY 2010-11 is \$2,680,394 compared to \$2,766,945 for the current fiscal year. This fiscal year will finish at about 95% of the budget.

Funding the Work Plan: Except for the Strategy, the proposed workplan and Operating Budget for FY 2010-11 can be funded without increasing assessments or any net draw down of Agency reserves.

Funding the Strategy: The BAWSCA Board could fund the Strategy using the Water Management Charge, which would fall in the range of \$0.01-\$0.02 per unit, or less than 1% of the wholesale cost of water. Mr. Jensen noted that the staff memo addressed alternatives for funding the Strategy and for allocating the cost of the Strategy.

The Committee discussed the benefits the Strategy will provide throughout the region. Committee members emphasized the long-term benefits of the Strategy and were supportive of using the Water Management Charge as the funding mechanism. The Committee also discussed how the costs of the strategy should be allocated.

The Committee took separate actions on the following items:

Personnel Action Item: M/S/C (Quirk/Wykoff/Unanimous) The Committee voted unanimously to recommend Board approval to: adjust the position description, title and top step salary by 6.7%, of the Sr. Water Resources Engineer, and b) modify the proposed budget to include a portion of this salary adjustment for merit increase.

Budget Action Items:

1. M/S/C (Wykoff/Quirk//Unanimous): The Committee voted unanimously to recommend Board approval of the proposed work plan which includes the results to be achieved, including the addition of the State Water Bond in the activities NOT included in the work plan, and the CEO's development of a justification, description and compensation level for a new position that would be considered by the Board on January 2011.
2. M/S/C (Wykoff/Fannon/9:2): The Committee voted to recommend Board approval of a 3.01% COLA adjustment to top step salaries of staff positions.
3. M/S/C (Fannon/Fergusson/Unanimous): The Committee voted unanimously to recommend Board approval of the proposed Operating Budget of \$2,680,394 for FY 2010-11.
4. M/S/C (Pierce/Swegles/Unanimous): The Committee voted unanimously to recommend Board approval of funding the Operating Budget with no increase in assessments and no net change to the general reserve balance.
5. M/S/C (Pierce/Wykoff/Unanimous): The Committee voted unanimously to recommend that the Board fund development of the Strategy using the Water Management Charge.
6. M/S/C (Pierce/Quirk/Unanimous): That Committee voted unanimously to recommend that the Board apply a uniform Water Management Charge to all agencies for funding development of the Strategy.

Priority FY 2010-11 Professional Services Contracts: The Committee received a staff report and a scope of work for each of the 12 outside professional services contracts that need to be in place as of July 1, 2010. The professional services contracts are used for legal, engineering, financial strategic, and water conservation support of BAWSCA's programs and objectives for FY 2010-11.

The proposed FY 2010-11 Operating Budget contains a total of \$1,287,800 for outside professional services to support BAWSCA, the RFA and BAWUA. The combined budget for the twelve professional services contracts needing to be in place on July 1, 2010 is \$983,800. The balance of professional services included in the Operating Budget, \$304,000, is for services that will be needed later in the year and authorization would be considered by the Board at a later date.

The professional services needed to develop the Long-Term Reliable Water Supply Strategy are separate from the Operating Budget. Those services include the technical consultant plus support from legal counsel and strategic counsel. The budget estimate for the technical services is being developed as the scope of the work is finalized. The proposed budgets for legal support, \$76,000, and strategic support, \$46,000, of the Strategy total \$122,000.

In July, the Board will be asked to consider a recommended budget to develop the Long-term Reliable Water Supply Strategy. At that time, the Board will also be asked to approve the related contracts for professional services. These actions will include a contract for technical services as well as amendments to the contracts for legal and strategic services.



Director Pear commented that the Strategy appear to require more political support than engineering and technical support.

Mr. Jensen stated that the budget for the technical work is much larger and will come to the Board in July. The Strategy's successful implementation will require consideration of policy issues, determination of what needs to be done and who does it. If all or part of the implementation is to be done by one agency external to BAWSCA, BAWSCA and its member agencies need to ensure that the implementation happens.

The Committee voted unanimously to recommend Board approval of the 12 contracts for legal, engineering, financial, strategic and water conservation services to be in place by July 1, 2010.

Projected Workload Increase by one Full-Time Position:

6. **Closed Session:** The Committee adjourned to closed session at 4:05 for the performance evaluation of the CEO/General Manager.
7. **Reconvenement to Open Session:** The committee reconvened to open session at 4:50pm
8. **Comments by Committee Members:** No additional comments were made.
9. **Adjournment:** The committee adjourned at 5pm. The next meeting of the committee is June 9, 2010 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  
April 14, 2009**

**Attendance Roster**

**Committee Members Present:**

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

**BAWSCA Staff Members Present:**

|                  |   |
|------------------|---|
| Arthur Jensen    | Chief Executive Officer/General Manager |
| Nicole Sandkulla | Sr. Water Resources Engineer            |
| Lourdes Enriquez | Assistant to the CEO/General Manager    |
| Ray McDevitt     | Legal Counsel, Hanson Bridget, LLP.     |

**Guests:**

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|------------------|--------------------------------|
| Bob Anderson     | Purissima Hills Water District |
| Peter Drekmeier  | Tuolumne River Trust           |
| Mike Pacelli     | Public                         |
| Nico Procos      | City Of Palo Alto              |
| Craig Von Bargen | CDM                            |
| Sharyn Saslafsky | SFPUC                          |