

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

**August 11, 2010 – 1:30 p.m.
155 Bovet Road, 1st Floor Conference Room**

MINUTES

1. Call to Order: 1:30 p.m.

Committee Chair Irene O'Connell called the meeting to order at 1:30. Ten (10) members of the committee were present, constituting a quorum. A list of the directors present (10) and absent (1), 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 stated that she was proud of the Board's action approving the Long-Term Reliable Water Supply Strategy (Strategy) at the July 16th Board meeting. She emphasized the regional role of the BAWSCA directors.

Water management activities continue and committee members were urged to make comments and pose questions to help staff clarify issues and their presentation to the Board.

B. Reports by the Chief Executive and General Manager:

Board Policy Calendar: Mr. Jensen presented a modified Board Policy Calendar reflecting the completion of the CEO/General Manager's performance review and Board consideration of the Committee's compensation recommendation at the September meeting, and an overview of policy issues for the Water Supply Strategy in November. Scheduled reports for the September Board meeting include BAWSCA's assessment of the SFPUC's Annual Progress Report on the Water System Improvement Program (WSIP), a report on the first year administration of the new Water Sales Agreement between the SFPUC and the wholesale customers, and a status report on the Water Supply Strategy. Mr. Jensen noted Anona Dutton's significant contributions toward finalizing the Strategy's scope of work for Phase IIA.

Director Fergusson commented that the League of California Cities' annual conference on September 15th through 17th may conflict with the September 16th BAWSCA Board meeting. The committee advised the CEO/General Manager to take a poll on the Board members' availability to meet in September to ensure a quorum.

Pending Legislation Updates: Mr. Jensen reported that changes were made to the scope of AB2483 (Coto). The bill no longer repeals Santa Clara Valley Water District's (SCVWD) charter legislation, but sets forth specific authorities and protocol. Mr. Jensen reported that

he has spoken with SCVWD's legal counsel and is satisfied with the language. BAWSCA's authorities remain unaffected by the bill.

BAWSCA Water Supply Management Activities:

- a. Interim Supply Allocations for Each Agency Being Prepared by San Francisco: Ms. Sandkulla provided the committee background information on why San Francisco will establish an Interim Supply Allocation (ISA) for each BAWSCA agency. The ISA was the result of San Francisco's unilateral decision to limit water supply when the SFPUC approved its Water System Improvement Program (WSIP) in 2008. That action imposed an Interim Water Supply Limitation of 184 mgd on Wholesale Customers' purchases from SFPUC water in 2018. The SFPUC action also resulted in a limit of 81 mgd on San Francisco retail customers in 2018.

To manage the limitations on sales, the SFPUC will establish an Interim Supply Allocation for each agency by December 31, 2010, and will impose a financial incentive to avoid going over the limitation. The size of the financial incentive will be determined by the SFPUC in Spring 2011.

As part of its Water Supply Management activities, BAWSCA worked with Water Supply Management Representatives appointed by each member agency to provide input to San Francisco in setting the ISA numbers. BAWSCA produced examples of how ISA's could be set. The agencies were unable to reach consensus on a single method, but agreed that the examples should be shared with San Francisco.

BAWSCA presented the examples to SFPUC General Manager Ed Harrington and his staff on July 2, 2010. The SFPUC met with the Water Supply Management Representatives on August 5th and agreed to provide BAWSCA a schedule on which it will prepare agency allocations for the San Francisco Public Utilities Commission's consideration.

The SFPUC committed to provide BAWSCA agencies with opportunities to review and comment on the allocations prior to the Commission's action on December 14th. Mr. Jensen noted that the meeting on December 14th may be a meeting agency staff members and elected officials may want to attend.

In response to Director Fergusson, Mr. Jensen stated that SFPUC activities will continue through the Fall. It is possible that the SFPUC staff might brief the Commission in November, prior to Commission consideration and action scheduled for December 14th. Director Pierce asked for the Board to be informed of the SFPUC's November meeting if that is the case.

Mr. Jensen emphasized that the duration of the ISA is the foundational basis for BAWSCA's Water Supply Strategy. By December 2018, San Francisco is to decide whether its long-term supplies are adequate to provide more than 184 mgd to the Wholesale Customers. However, it remains uncertain how much, if any, additional water the SFPUC might provide beyond 2018. BAWSCA's Strategy will provide agencies greater certainty for future planning, but does not undermine their claim that the SFPUC should provide additional water in the future.

Mr. Jensen emphasized that agencies need to address how they will meet the future water supply needs of their communities. Director Wykoff concurred and reiterated that the uncertainty with how future water supplies will be allocated beyond 2018 reinforces the need to move forward with the Strategy so that alternative sources of water supply in addition to the Regional Water System can be identified.

Director Abrica inquired if San Francisco had been asked if they will provide more water after 2018. Mr. Jensen responded that San Francisco is unable to say at this time what they will do in the future.

Legal Counsel, Ray McDevitt added that the Federal Energy Regulatory Commission (FERC) re-licensing of New Don Pedro Reservoir, which is owned jointly by the Turlock and Modesto Irrigation Districts, begins in 2011 and may affect the SFPUC's future water supply.

Director Pear asked how much water is available from water rights bestowed by the Raker Act. Mr. McDevitt responded that the federal Raker Act provided the right to construct and operate facilities on the federal lands. Water rights are a matter under State law. The number historically associated with San Francisco's water rights is 400 mgd.

Director Pear asked what groups are participating in that re-licensing process. Mr. McDevitt responded that the irrigation districts are the primary agencies, as they own the dam and hydroelectric facilities that are subject to the license. In prior related activities the SFPUC, BAWSCA, BAWSCA's predecessor and various environmental and other groups have taken an interest in or participated in the process.

Chair O'Connell asked if there were any public comments. Mr. Peter Drekmeier, with the Tuolumne River Trust, stated the Trust will be involved with the FERC re-licensing of New Don Pedro Reservoir. He stated that their position is that more water must be made available to protect the dwindling fish populations in the Tuolumne River. He said he thought the Bay Area was doing a good job of conserving water and that additional flows should come from the irrigation districts.

- b. Member Agencies' Desire for Subscription Lawn Replacement Program: Staff of BAWSCA's member agencies asked BAWSCA to help develop a Lawn Replacement Program. The program goal would be to create an incentive for water customers to reduce their outdoor water use by replacing irrigated turf with low-water using plants. Other water agencies have used rebates to create the desired incentive. Agency staff envisioned a regional subscription-based program to replicate the consistency and cost savings associated with other BAWSCA programs.

A pilot rebate program is being developed to specify how such a program would function and to determine agency interest.

Ms. Sandkulla stated that such a program would support implementation of agency outdoor water use efficiency ordinances and help agencies comply with SB7, passed in 2009.

BAWSCA's potential is still being investigated, as well as the possible rebate amounts, and specific program guidelines and procedures.

In response to committee members' questions, Ms. Sandkulla reported that the rebate amount would typically be uniform across the participating agencies, and would be offered to both commercial and residential properties. Similar to existing successful programs elsewhere, the program would require replacement of irrigated turf in the front yard, and would require a certain percentage of hardscape and permeable surface.

Chair O'Connell noted that she first heard about lawn replacement programs in Arizona several years ago, which is evidence that such programs have been around for a long time and seem to be successful.

Director Quirk noted that replacement of front yards would be an effective way to make people aware of the program.

Ms. Sandkulla reported that the program is currently not included in the workplan for FY 2010-11 and, if pursued, would have to be brought back to the BPC and the Board in the Winter as a modification to the workplan. BAWSCA will review the successes and challenges of other agencies in its process to develop a program that best meets the BAWSCA member agencies' needs.

Program details can be expected in the Winter of 2010 with the possible launch of the program in the Spring of 2011.

Update on Additional Credits to be returned to agencies through SFPUC Wholesale Water Rates: Mr. Jensen reported that the contract compliance audits are currently being reviewed or prepared for FY 2007-08, 2008-09, and 2009-10. Adjustments identified to date are in the member agencies' favor. While the amount of money involved is significant, it will not have a large impact on SFPUC Wholesale Water Rates

5. Discussion Item:

Status of Agencies Reaching Agreement on Drought Implementation Plan (DRIP): Ms. Sandkulla reported that the existing Drought Allocation Plan expired in June 2009, and that the completion of a new one is targeted for the Fall of 2010.

BAWSCA's role in this effort is to be the facilitator that provides structure and analyses so that the 26 member agencies can make decisions based on fact, analyses and practicality.

The new Water Supply Agreement requires unanimous agreement among all 26 agencies. If unanimity is not reached, the BAWSCA Board of Directors was given authority to adopt a formula. If the agencies fail to reach unanimous agreement and the BAWSCA Board does not adopt a formula, the SFPUC has the authority to decide how to allocate water among the agencies during a drought.

Tier I of the Drought Implementation Plan, which is contained in the new Water Supply Agreement, divides the available water supply between San Francisco and the collective 26 wholesale customers. BAWSCA's efforts with the member agencies focus on Tier II which allocates a fixed amount of water supply among the 26 agencies during a water shortage emergency.

Regular meetings have been held between BAWSCA and agency appointed Water Supply Representatives since Fall 2009. Over 20 different analytical alternatives have been analyzed. Appointed agency representatives must reach unanimous agreement on the same exact

language for allocating water during an emergency that they will bring forward to their governing bodies for adoption.

Director Pear asked why consensus has not been reached at this point. Ms. Sandkulla stated that there are differences of opinions, and currently, there are a few agencies with individual concerns that BAWSCA is addressing. However, the agencies are very close to reaching an agreement and Ms. Sandkulla stated that she is confident to reach a positive outcome at the August 25th meeting with the Water Supply Management Representatives.

BAWSCA has encouraged appointed Water Supply Management Representatives to keep their governing bodies apprised of the issue.

Agency representatives will receive final analyses in advance of the August 25th meeting, and will be asked to come prepared to state which alternative they will recommend to their governing body. The unanimous support for an alternative will initiate the effort to have the Drought Implementation Plan adopted by each of the member agency's governing body. If no agreement is reached among the agencies on August 25th, the process for making a recommendation to the Board for consideration will be initiated, and BAWSCA's role will change.

Announcement of Different Location for October 13, 2010 BPC Meeting: Mr. Jensen stated that the committee meeting on October 13th will be held in a different location. The address, directions and parking information will be provided accordingly for committee members and members of the public to have.

6. Action Calendar:

Authorization for the CEO/General Manager to Negotiate and Execute a Professional Services Agreement for Technical Assistance to Develop a Preliminary Assessment of Regional SB7x7 Targets and Water Savings Requirements for the BAWSCA Agencies on an Individual, Sub-Regional, and Regional Basis: Ms. Sandkulla reported that SB7 adopted on October 2009 requires urban retail water suppliers (URWS) to help achieve a 20% reduction in statewide water-use by 2020; 10% by 2015 and 20% by 2020.

Agencies are required to establish and achieve a specific target using one of four required methods, and may do so individually or collectively. Agencies must also perform required analyses and submit targets to the State with their Urban Water Management Plans in June 2011.

The Preliminary Regional SB7 Analysis will help agencies address whether they want to pursue compliance with SB7 individually or as part of a regional or sub-regional alliance. The analysis will also help agencies in the development of their 2010 Urban Water Management Plans.

A review of the most recent State guidelines indicates that there is an advantage to several BAWSCA member agencies to comply with SB7 on a regional basis through BAWSCA. Ms. Sandkulla noted that funding for this effort is included in BAWSCA's adopted operating budget and workplan for FY 2010-11.

In response to Director Quirk's question, Ms. Sandkulla reported that the Department of Water Resources (DWR) will develop the fourth method by December 31, 2010. Ms. Sandkulla

stated that method 2 is complex and would not be a beneficial method to use for all the agencies combined. Methods 1 and 3 appear to be most beneficial for the agencies.

The committee voted unanimously to recommend Board authorization of the CEO/General Manager to negotiate and execute a contract for technical services to support the development of a Preliminary Regional SB7 Analysis on behalf of the BAWSCA agencies for a not-to-exceed amount of \$20,000.

9. Consent Calendar:

M/S/C (Pierce/Swegles/Unanimous) that the Committee:

- a. Approve the minutes from the meeting of June 9, 2010 with corrections to reflect that Committee Chair Irene O'Connell chaired the meeting; and**
- b. Voted unanimously to recommend that the Board approve by resolution, the amended Conflict of Interest Code, direct the CEO/General Manager to forward a copy of the Code to the Fair Political Practices Commission (FPPC), and authorize him to take any other steps necessary to implement the resolution.**

10. Comments by Committee Members: Ms. Sandkulla and Ms. Dutton will follow up with Director Fergusson about the outdoor ordinance's restriction on redwood trees due to their high-water consumption.

11. Adjournment: The meeting was adjourned at 2:50pm to the next regularly scheduled meeting on October 13, 2010 at 1:30 p.m. which will be held at 1300 South El Camino Real, San Mateo, Suite #100

Respectfully submitted,



Arthur R. Jensen, Chief Executive Officer/General Manager and Secretary

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Attachments: 1) Attendance Roster

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August 11, 2010**

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
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	Estero Municipal Improvement District

Committee Members Absent:

Robert Craig	Westborough Water District
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BAWSCA Staff Members Present:

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

Guests:

Bob Anderson	Purissima Hills Water District
Peter Drekmeier	Tuolumne River Trust
Marilyn Mosher	City of Hayward
Nico Procos	City Of Palo Alto
Sharyn Saslafsky	SFPUC