

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING**

**Foster City Community Building – 1000 E. Hillsdale Blvd., Foster City
Wind Room**
(Directions on Page 2)

**Thursday, January 20, 2011
7:00 P.M.**

AGENDA

- 1. Call to Order/Roll Call/Salute to Flag** (Fannon)
- 2. Special Order of Business – Election of Officers for Calendar Year 2011** (Attachment) (Fannon)
 - Election of Chair
 - Election of Vice Chair

(The terms of the new Chair and Vice-Chair commence at the end of the meeting at which they are elected)
- 3. Break for San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting** (Fannon)
- 4. Reconvene following San Francisco Bay Area Regional Water System Financing Authority Board of Directors Meeting** (Fannon)
- 5. Comments by the Chair** (Fannon)
- 6. Board Policy Committee Report** (Attachment) (O’Connell)
- 7. Public Comments** (Fannon)

Members of the public may address the Board on any issues not listed on the agenda that are within the purview of the Agency. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.
- 8. Consent Calendar** (Fannon)
 - A. Approve Minutes of the November 18, 2010 Meeting (Attachment)
 - B. Receive and File Budget Status Report – As of November 30, 2010 (Attachment)
 - C. Receive and File Quarterly Investment Report – As of December 31, 2010 (Attachment)
 - D. Receive and File Director’s Reimbursement Report – As of December 31, 2010 (Attachment)
- 9. Action Calendar** (Jensen)
 - A. Mid-Year Work Plan Assessment and Budget Re-Alignment (Attachment)
Board Policy Committee recommends board approval of the proposed action
 - B. Recommendation to Resolve Human Resource Needs (Attachment)
The Board Policy Committee made the motion that staff present the recommendation to the Board with clarification on the advantages and level of the position, how the position will be paid for in the current and upcoming years, and information on comparable position salaries and benefits.

10. SFPUC Report (Harrington)

11. Reports and Discussions (Jensen)

A. Fiscal Year 2011-12 Work Plan and Budget Preparation (*Attachment*)

B. Water Supply Management

1. Current Water Usage – Lower than Prior Year
2. Long-Term Reliable Water Supply Strategy Progress Report (*Attachment*)
3. Follow-up to Long-Term Reliable Water Supply Strategy Policy Discussion from November Board Meeting.
4. Water Conservation – Annual Report (*Emailed to Board 12/21/10*)

C. Water System Improvement Program – Update

1. Crystal Springs Bypass Tunnel
2. Calaveras Environmental Impact Report

D. Announcements

1. FY 2010-11 Statement of Economic Interest FPPC Form 700

12. Directors' Discussion: Comments, Questions and Agenda Requests (Fannon)

13. Date, Time and Location of Future Meetings (Fannon)
(See attached schedule of meetings)

14. Adjourn to next meeting scheduled for March 17, 2011 at 7pm (Fannon)

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*All public records that relate to an open session item of a meeting of the BAWSCA Board that are distributed to a majority of the Committee less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at **BAWSCA, 155 Bovet Road, Suite 302, San Mateo, CA 94402** at the same time that those records are distributed or made available to a majority of the Committee.*

Directions to Foster City Community Bldg. – 1000 E. Hillsdale Blvd., Foster City

From Hwy. 101, take the Hillsdale Ave. exit East. Turn Right into the parking lot just after the intersection with Shell Blvd. The Community Bldg. entrance is separate from the Library entrance and is marked by signage. The Wind Room will be at the top of the stairs on the right, across from the reception station (there is also an elevator).

From the East Bay, take Hwy. 92 West, exiting at Foster City Blvd., and going South on Foster City Blvd. to Hillsdale. Turn Right (West) onto Hillsdale and proceed to Shell Blvd., making a U-turn to be able to pull into parking lot on SE corner of Hillsdale and Shell. See underlined sentence of first paragraph above for remainder of directions.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: **Election of Officers for Calendar Year 2011**

Summary:

The State Water Code (Division 31, Section 81401) requires the Board to elect a chair and vice chair each year at the January meeting. The term of officers of the Board commences at the close of the meeting at which they are elected.

Discussion:

The suggested process for electing the chair is as follows:

1. Call for nominations for the position of chairperson.
2. Call for a motion to close nominations once no further names are offered.
3. If there is only one nominee, call for the vote.
4. If there is more than one nominee, then proceeding alphabetically:
 - a. Ask each nominee to give a brief statement on his/her qualifications and interest in the position.
 - b. Ask if other directors would like to comment on behalf of the nominee.
 - c. Call for a vote of those in favor of each nominee, by a show of hands.

Following the election of the chair, proceed to the election of vice chair using the same process.

BAWSCA

Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 302
San Mateo, California 94402
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MEMORANDUM

TO: BAWSCA Board Members

FROM: Arthur R. Jensen, Chief Executive Officer and General Manager

DATE: January 14, 2011

SUBJECT: Summary of Board Policy Committee meeting held December 8, 2010

The Committee meeting was called to order at 1:30pm by Committee Chair, Irene O'Connell. The roster of Committee members present and attendees is attached.

The Committee took the following actions and discussed the following topics:

Consent Calendar:

The Committee approved the minutes from the meeting of August 11, 2010.

Reports and Discussions:

Notes from the October 13, 2010 meeting that did not take place due to lack of a quorum: Chair O'Connell stated that notes from the October 13, 2010 meeting that did not take place due to lack of a quorum were prepared for the file. The "draft" on the header should be removed as it is a document that is not going to be approved by the Committee, and that it should be titled "Notes" as opposed to "Minutes".

Board Policy Calendar: Mr. Jensen stated that the Board Policy Calendar remains as it was presented at the November Board meeting, designating items as discussion, action, or status reports. Mr. Jensen welcomed suggestions from Committee members for improving the format and clarity of the policy calendar.

Mid-Year 2010-11 Work Plan and Budget Review: Mr. Jensen reported that the work plan for the current fiscal year can be achieved with the approved budget, although adjustments in some areas need to be re-prioritized and re-scheduled as explained in the staff memo.

Staff recommendation for the Committee is to support board approval of reallocating \$35,000 in the approved budget from professional fishery consultation, and amend the existing pro-

professional services contract with Brown & Caldwell to support the implementation and ongoing support for the water conservation database.

Director Wykoff expressed his concern that, although he recognizes the importance of conservation, there seems to be more and more money and effort put towards conservation, and less on supply reliability. He stated that the \$35,000 is not an issue, but rather the work plan and resources being focused on conservation, Items #5C and 5D.

Director Pear shared Director Wykoff's observations. He commented that he has no concerns over the \$35,000, but hopes that the money being transferred is not taken away from one bucket to another.

Director Craig commented that perhaps there is not enough information provided on the role of conservation in increasing the water supply for BAWSCA member agencies.

Director Guzzetta noted that the significant amount of the current budget allocated towards supply is reflective of the emphasis being put towards supply, as well as the agency's current efforts with the Long-Term Reliable Water Supply Strategy. Director Guzzetta stated that he is comfortable with the transfer of funds recommended.

The Committee voted unanimously to recommend Board approval of the adjustments resulting from the mid-year review of work plan and budget: Reallocate \$35,000 in the approved budget from professional fishery consultation and amend the existing professional services contract with Brown & Caldwell to support the implementation and ongoing support of the water conservation database.

Human Resources Needs: Mr. Jensen reported that additional resources are needed to support and achieve the planned results of the water supply management activities for FY 2010-11 and beyond. This was noted last spring when the Board approved the work plan and budget for FY 2010-11. BAWSCA's water supply management program includes ensuring supply reliability from the San Francisco Regional Water System, as well as ensuring supply reliability to meet current and future water supply needs. Four critical areas of work include monitoring San Francisco's Water System Improvement Program, protecting the agencies' contractual rights for water from San Francisco, administering the Water Conservation Implementation Plan (WCIP) as a near-term solution, and developing and implementing the Strategy as a long-term solution.

Mr. Jensen stated that the WCIP involves the execution of core and subscription-based conservation programs in coordination with BAWSCA member agencies. Both the WCIP and the Strategy are expected to require increased effort and will require additional resources. Nicole Sandkulla and Anona Dutton's time are both currently overcommitted to all four areas of the water supply management program.

Mr. Jensen stated that an additional resources could focus on the implementation of the WCIP so that the talents and expertise of Ms. Sandkulla and Ms. Dutton can be focused on the development and implementation of the Water Supply Strategy.

Mr. Jensen noted that BAWSCA is sensitive to the current state of the economy and many of the agencies' financial situations. Alternative ways to provide the needed resources were

examined and summarized in the staff memo. They included reduction of BAWSCA's conservation programs, extension of the timeline to complete the Strategy, use of temporary employees, hiring a new employee and the use of outside consultants.

In reviewing the alternatives, Mr. Jensen noted that BAWSCA's core and subscription based conservation programs have proven to be efficient for participating agencies. Cutting back on conservation programs would endanger effectiveness, costs and grant funding opportunities for the agencies.

Additionally, extending the timeline for completing the Strategy would make it less efficient and more costly for the region. The use of temporary employees poses limited hours and can be unreliable. The use of off-site consultants can be more costly and unsuitable for the day-to-day tasks required to support the program.

Mr. Jensen stated that conservation ultimately saves agencies and water customers money. BAWSCA's implementation of the conservation programs saves member agencies administrative time and costs.

The cost of the new position is estimated at about \$129,000 per year, including benefits. Approximately half of the cost would be paid by agencies that participate in the subscription programs.

Director Quirk asked where the money would be coming from, whether this will be an increase in the amount of the administrative cost charged by BAWSCA for the subscription programs, and how much the impact will be on the operating budget.

Director Pierce commented that the City of Redwood City looked at conservation because it was the least expensive way to increase the City's supply. With regards to BAWSCA member agencies, she noted key considerations being whether there is too much focus on conservation, what the remaining potential for conservation is, and its cost effectiveness in comparison to efforts that would provide additional supply. If there are additional costs to agencies, will it be because there is more to be gained. This type of information can be helpful for the Board and member agencies.

Director O'Connell added that having water savings data from the conservation programs would be helpful too.

Director Wykoff noted that he does not oppose conservation and understands that it is a clear source of additional supply. He points out, however, that there is only so much conservation that can be done and time will come when conservation efforts are exhausted.

Director Guzzetta commented that the more demands are hardened, the more important it is to have a reliable supply. He asked if there are enough funds from the subscription programs to fund the position at 100%, and suggested that showing the distribution of hours between the subscription programs and core programs would be helpful.

Director Pear commented on the summary of the alternatives in the staff memo and noted that in contrary to temporary employees' inability to work onsite, many workforces effectively

work offsite. He also expressed his concerns with the need for additional resources coming back every year.

Mr. Jensen explained that all of BAWSCA's employees are "at will" employees. In the past, a position was eliminated when it was no longer needed.

In response to Directors' previous comments, Mr. Jensen will make the suggested clarifications and provide additional information including the operating budget for conservation over time as part of the information provided to the Board in January.

The Committee continued its discussion on the cost of the position. Director Quirk requested information on the projected additional funds needed after looking at the cost projected for Ms. Sandkulla's and Ms. Dutton's time for the current year.

Chair O'Connell commented that the benefit of the position should also be looked at. The position will advance the efforts of the Strategy since Ms. Sandkulla's and Ms. Dutton's time, talents and expertise will not be compromised with the time needed to implement the WCIP.

Director Guzzetta noted that the full salary and benefits for the new position will be an additional expenditure added to the budget.

Mr. Jensen stated that he will provide the impact on the operating budget as well as the net impact on the operating budget.

The schedule for action would depend on what the Board chooses to do. If the Board approves both the position and the proposal to fill it during FY 2010-11, this year's planned work will move forward. If the Board does not approve the position, or approves the position but not funding for the position FY 2010-11, the position would be filled after July 1, 2011 and further work plan revisions would be needed during FY 2010-11.

Director Quirk made a motion to present to the Board the staff recommendation with clarification on the advantages of the position as well as the level of the position, how the position will be paid for in the current and coming years, and comparable salary and benefits.

Director Wykoff agreed with Director Quirk's motion provided that it is clearly articulated in the memo to the Board that Ms. Sandkulla and Ms. Dutton will focus on the Strategy, and that the individual hired for the new position will focus on the WCIP.

In response to Director Abrica's question, Chair O'Connell clarified that the item will go to the Board in January as an action item. She stated that members of the Committee can vote no on the current motion if they are not comfortable with it. Further discussion of their concerns can be discussed at, or may be addressed with Mr. Jensen by the time of, the Board meeting.

The Committee voted unanimously to present staff recommendation to the Board with the specific information requested by the Committee.

The Committee adjourned to a five minute break at 2:35pm, and re-adjourned at 2:40pm.

Fiscal Year 2011-12 Work Plan and Budget Preparation: Mr. Jensen reported that a preliminary budget will be presented to the Committee at its February meeting. The development of the work plan and budget will be based on long-term perspective, near-term results to be achieved in FY 2011-12, and resources needed to deliver the vital results. The Committee's input and advice was requested following the presentation.

Mr. Jensen presented the vital results to be achieved in FY 2011-12. They fall under the areas of Water Resources Management, Water System Improvement Program, and maintaining high water quality at a fair price.

Under the Water Resources Management, BAWSCA will continue its work on developing the Long-Term Reliable Water Supply Strategy, its representation of member agencies' interest in the Federal Energy Regulatory Commission's (FERC) relicensing processes for New Don Pedro Reservoir, implementation and tracking of the WCIP, annual submittal of agencies' water purchase projections to the SFPUC as required by the Water Supply Agreement (WSA), support agencies in completing their Urban Water Management Plans (UWMP), and continuing pursuit of grant funding opportunities.

Vital results to achieve for the Water System Improvement Program include BAWSCA's continuing technical review and input on projects, affirmative action to ensure work is completed within the project scopes, budgets, and schedules, as well as monitoring and providing comments on the SFPUC's reports to the State. This work remains vital as the SFPUC enters the last five years of project construction and the most intense period of spending.

Mr. Jensen reported that the SFPUC is scheduled to complete permitting processes required by the California Environmental Quality Act (CEQA) this fiscal year. Planning, design and project construction are expected to peak in FY 2011-12. The program's projected completion is December 31, 2015.

BAWSCA will provide ongoing support of the Joint Water Quality Committee established under the Water Supply Agreement (WSA) to ensure high quality water and ongoing operational coordination.

BAWSCA will provide ongoing administration of the old and new water supply agreements to ensure fair pricing. Mr. Jensen noted that the administration of the new WSA is much simpler because the numeric calculation of the cost allocations is much simpler than the previous agreement. This allows for more time to focus on looking at how the money is spent rather than having to track spending.

Mr. Jensen noted that Phase IIA of the Long-Term Reliable Water Supply Strategy is currently funded by the Water Management Charge and that cost allocation for future phases of the Strategy will be brought to the Board for consideration and action.

The preliminary work plan and budget for FY 2011-12 will be presented to the BPC in February and to the Board in March. Consideration and action on a proposed work plan and budget is scheduled for the Board meeting in May.

Director Pierce noted that knowing when cost allocation for the Strategy will be discussed would be helpful. Mr. Jensen stated that a progress report of the Strategy will be presented to

the Board in March 2011 and will include a schedule of policy decisions that would need to be made, including cost allocations.

Follow up to Long-Term Reliable Water Supply Strategy Policy: Mr. Jensen stated that the time between the November Board meeting and the December BPC meeting has not been enough to fully digest the comments made at the Board meeting regarding the discussion of policy decisions. In talking with Chair O'Connell, Mr. Jensen stated that it would be beneficial to hear any additional comments Committee members may have and structure a discussion of those comments for the February BPC meeting.

Because many of the Committee members may be thinking about the comments made, this agenda item allows for Committee members to comment.

Chair O'Connell encouraged Committee members who may not have had the opportunity to comment at the November Board meeting, and have points they would like to make, to voice their comments with the understanding that resolutions and conclusions are not necessarily going to be reached.

Director Wykoff stated that his main concern was that BAWSCA was getting too far ahead in discussing policies before identifying specific projects that would produce additional supplies of water.

Director Quirk stated that his main concern is about a process that will permit all 26 board members to discuss their agency's concerns.

Director Pierce suggested having issues written down for board members' reference and awareness of what is coming up.

Special Reports:

SFPUC Interim Supply Allocation: Mr. Jensen reported that the SFPUC needs to establish the Interim Supply Allocation (ISA) in December. The Commission is scheduled to act on the allocation at its meeting on December 14th.

Mr. Jensen noted that the agencies have reserved the right, in the WSA, to contest the allocations and the charges the SFPUC imposes once they have been established.

The SFPUC has met with and presented BAWSCA and member agencies four drafts. The current draft allocates less than 184mgd with a balance held in reserve for future distribution.

Mr. Jensen encouraged Committee members to talk with their staff members if they want more information on the ISA. The SFPUC will make a decision on December 14th, and he expects to see agency representation from staff level and above

BAWSCA's role on the ISA is to track the process to ensure that the SFPUC abides by the agreement. BAWSCA takes no position on the SFPUC's allocation method.

Long-Term Reliable Water Supply Strategy: Mr. Jensen reported that one-on-one meetings with individual agencies have been completed. The meetings were held to identify each agency's expectations for additional supply or drought reliability their customers might need,

and to gather available technical data for each agency's potential projects. This effort is an ongoing process between BAWSCA and the agencies.

Staff will focus on the decision timelines and policy matters, and presenting them in a context that will allow for further discussions with the Board.

Comments by Committee Members:

Director Quirk stated that the meeting was a good meeting. The Committee had a good discussion, put forth questions, and answers will be provided.

In response to Director Fergusson's question, Mr. Jensen reported that information on the Drought Implementation Plan has gone out to all agencies, and the City of Redwood City was the first agency to adopt the plan under consent. All agencies should consider and act on the plan by March 2011.

Mr. Jensen would caution agencies with their use of the word "agree" in their correspondence to the SFPUC regarding the ISA. It would be in the best interest of agencies to reserve their right to contest the ISA legally and in the court of law. Legal Counsel, Allison Schutte, stated that agencies can make reference to the language in the Water Supply Agreement, section 8.07 subsection D3. Correspondence with the SFPUC should note that your agency is reserving its right to contest the ISA. Lastly, correspondence should reflect peer-to-peer relationships. Correspondence coming from a city's mayor should be addressed to the either the Mayor of San Francisco or to the President of the San Francisco Public Utilities Commission.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – December 8, 2010

Roster of Attendees:

Committee Members

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

Members Absent

Ron Swegles, City of Sunnyvale

BAWSCA Staff:

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|------------------|---|
| Art Jensen | Chief Executive Officer and General Manager |
| Nicole Sandkulla | Water Resources Planning Manager |
| Anona Dutton | Water Resources Planner |
| Lourdes Enriquez | Assistant to the CEO/General Manager |
| Allison Schutte | Legal Counsel, Hanson Bridgett, LLP |

Public Attendees:

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|------------------|---|
| Bob Anderson | Purissima Hills Water District, BAWSCA Director |
| Peter Drekmeier | Tuolumne River Trust |
| Marilyn Mosher | City of Hayward |
| Sharyn Saslafsky | SFPUC |

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
November 18, 2010 – 7 p.m.
Foster City Community Building, Foster City CA**

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| MINUTES |
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1. Call to Order and Roll Call – 7:07 pm

Vice Chair Barbara Pierce, called the meeting of the BAWSCA Board of Directors to order. Art Jensen, CEO/General Manager and Secretary of the Board, called the roll. Nineteen (19) members of the Board were present, constituting a quorum. A list of directors present (19) and absent (7) is attached.

- 2. Comments by the Chair:** Vice Chair Pierce referenced Chair Fannon's letter regarding his absence at the meeting. She reported that Chair Fannon will attend the January Board meeting, which will be his last meeting as a member of the BAWSCA Board. He will be retiring from Hillsborough's Town Council, and will not continue to be on the BAWSCA Board. She hopes that board members can thank Director Fannon for his leadership on the Board at the meeting in January.

Vice Chair Pierce noted that the changes to the format of the agenda reflect the comments from the board members and specific suggestions by Director Irene O'Connell. Consent and Action items have been moved to the top of the agenda so that directors can focus on decisions first. The CEO's items for discussion have been moved to the end of the agenda to allow more time for discussion and to fully explore subjects.

Vice Chair Pierce thanked Mr. Jensen for taking the time to meet with each board member. Although it took a lot of time, what was learned from the meetings will be helpful moving forward.

- 3. Board Policy Committee Report:** Committee Chair O'Connell reported that the October 13th Board Policy Committee could not be held due to the lack of a quorum. The committee members who were present listened to the presentation Mr. Jensen prepared, but there was no discussion of the material.

Director O'Connell referenced the Board Policy Committee summary report which states that upcoming activities will be outlined so that members of the Board will have the opportunity to provide input on policy decisions in the next 18 months.

- 4. Public Comments:** Public Comments were heard from Tom Chambers, Director of Westborough Water District; Josh Sonnenfeld, Campaign Manager of Save the Bay; and Wynn Grcich of A.T.O.W.N.

5. Consent Calendar:

M/S/C (Quigg/Guingona/Unanimous) that the Minutes of the September 16, 2010 meeting be approved, the Monthly Budget Status Report, Quarterly Investment Report, and Directors' Reimbursement Report for period ending September 30th, 2010, and the Audit Reports for BAWSCA and BAWUA for FY 2009-10 be received and filed.

6. Action Calendar:

Authorization to Negotiate and Execute a Contract with PG&E for Washing Machine Rebate Program: Ms. Sandkulla stated that the recommended action secures administrative services from PG&E to administer the Washing Machine Rebate Program (WMRP). The WMRP is one of the subscription programs offered by BAWSCA and is included in the adopted workplan for the current FY 2010-11. It was the first and has been one of the most successful subscription programs since it was offered in FY 2001-02. The program has issued over 24,000 rebates to date with a savings of 152 million gallons per year.

The current WMRP expires on December 31, 2010. The current contract with PG&E anticipates a 6-month close out period for the current program, and therefore expires on June 30, 2011. Participating member agencies have expressed an interest to continue the joint WMRP with PG&E. The new contract with would allow continuation of the WMRP from January 1, 2011 through December 31, 2011. A few minor changes in the program will include modification on the rebate levels as explained in the staff report.

Ms. Sandkulla noted that 15 member agencies participate in BAWSCA's program, and that the remaining agencies either administer independent programs, or participate through Santa Clara Valley Water District's program. This past year, the Town of Hillsborough made the decision to focus on outdoor water conservation, and suspended participation in this program. However, Hillsborough has indicated an interest in future participation, particularly if grant funds to support the program are secured.

Ms. Sandkulla noted alternatives to contracting with PG&E include using a different rebate administrator, in-house administration, or not offering the program at all. Contracting with PG&E makes the process very easy for the customer because it results in only one application for both water and energy rebates. Participating agencies benefit from the program promotion paid for by PG&E. Additionally, the regional collaboration with other water agencies such as East Bay Municipal Utility District and Contra Costa Water District lowers the overall cost.

There being no questions from members of the Board, Vice Chair Pierce called for a motion to approve.

M/S/C (Pear/Fergusson/Unanimous) That the Board authorize the Chief Executive Officer/General Manager to:

- 1. Negotiate and execute a contract with PG&E, subject to legal counsel's final review, for administrative and rebate processing services through June 30, 2012 associated with implementation of the Washing Machine Rebate Program from January 1 through December 31, 2011, and**
- 2. Offer participation in the program to BAWSCA member agencies through December 31, 2011.**

7. Chief Executive Officer's Reports:

Board Policy Calendar –Mr. Jensen presented a modified version of the Board Policy Calendar which identifies whether an item is for discussion, action, or a status report. Mr. Jensen noted that status reports will provide an opportunity for Board discussion of items including the Strategy on tonight's agenda, and upcoming activities such as the mid-year work plan and budget assessment and preliminary budget and work plan for FY 2011-12. Mr. Jensen welcomes suggestions from board members as to how the policy calendar might be made clearer and more valuable for their use.

8. SFPUC Report: SFPUC General Manager, Ed Harrington, addressed the Board and reported on the progress of the Water System Improvement Program (WSIP) and Delta water issues, noted the appointment of a new member of the Commission, commented on wholesale water rate projections, and discussed the SFPUC's credit rating.

The WSIP is in the construction phase for many of its projects. There are projects totaling \$1.6 million under construction and another \$250K will be under construction by the end of December.

The Environmental Impact Report (EIR) for the Harry Tracy Water Treatment Plant Upgrades was certified on October 14th, and a notice to proceed with construction for that project is expected in April 2011. The EIR for rebuilding Calaveras Dam is expected to go to the Planning Commission in January, and a notice to proceed with construction is expected in August 2011.

The bidding environment continues to be favorable. Construction bids continue to come at least 15% under the engineers' estimates. The savings provide for some of the additional costs needed to address unexpected expenses, such as the Bay Division Pipeline Project encountering an archeological site.

Independent peer reviews on the administration of the WSIP continue on a regular basis, as recommended by the peer review implemented earlier in 2010. The review panel is comprised of both national and international experts who are not otherwise under contract to the SFPUC. The review states that the SFPUC has a great systems for managing the projects, tracking change order requests and looking at performance trends and program risks.

With regard to Delta water issues, Mr. Harrington reported that, as a manager of a major water supply, the SFPUC takes a measure of responsibility for the stewardship of natural resources. He stated that the SFPUC does not believe it has the "...responsibility to take water from an area that is extraordinarily efficient in its water use and transport that water to people who are less efficient in the state of California."

Mr. Harrington noted that the San Francisco Regional Water System takes less than 1% of water that would otherwise flow into the Delta. That amount takes care of 7% of the population of California who uses two, three, or four times less water per capita than people in other parts of the State.

Mr. Harrington reported that discussions will continue on how the costs for Delta improvements will be paid. He stated that beneficiaries paying for the improvements to the water systems from which they benefit has been part of the history of water systems in California. The SFPUC believes that if improvements to water delivery systems for the rest of the State are necessary, the beneficiaries of those systems should pay for those improvements.

Art Torres was sworn in by Mayor Newsom as a new member of the SFPUC. Mr. Torres was an Assembly Member, served in the State Senate, and was head of the Democratic party for several years. He is currently Vice-Chair of the Stem Cell Research Institute in San Francisco. Mr. Torres' first meeting as a Commissioner will be on November 23rd.

Wholesale water rate projections will be going up as expected due to the debt issuances for the WSIP. Mr. Harrington reported that the combination of the WSIP activities and the decrease in water use will increase rates sooner than expected.

Wholesale water customer use has dropped from 173 mgd in FY 2007-08 to 149 mgd in FY 2009-10. Operating costs are fixed, and therefore, when water use goes down, rates have to go up. SFPUC is working closely with BAWSCA staff to provide complete information on rate projections.

San Francisco's double-A bond rating was reaffirmed by Standard and Poor, Fitch, and Moody. The SFPUC continues to get good rates on its borrowing, and has been authorized to borrow an additional \$650 million in the next month. Mr. Harrington stated that the SFPUC will move forward if there are good rates, otherwise, additional debt activities can wait until next Spring or Summer.

In response to Director Guzzetta's question, Mr. Harrington reported that change orders are being tracked closely and that the amounts coming through are acceptably low, at only 2-3% of total project cost.

9. Special Reports:

Vice-Chair Pierce stated that the special reports from the CEO require no actions from the Board, but offer opportunities for board members to discuss and ask questions about policy issues, particularly about the water supply management item.

A. SFPUC Water System Improvement Program – Status Report:

1. BAWSCA Comments on SFPUC's Annual Report to the State and SFPUC's Response to BAWSCA's Concerns and Recommendations: BAWSCA reviewed the SFPUC's annual report on the WSIP to the State and made recommendations that focused on the program completion within scope, schedule and budget.

Specifically, BAWSCA addressed project schedule compression as there are more projects in the last year of construction than originally scheduled. The SFPUC's independent review panel is also looking at the schedule compression issue and will be providing their assessment and recommendations. The SFPUC will provide a written response to BAWSCA's recommendations and the Board will receive a copy of as soon as it is received.

Mr. Jensen reported that the SFPUC formally adjusted project contingencies at its meeting on November 9th.

2. Lower Crystal Springs Dam Project – Resolution of BAWSCA concerns: Mr. Jensen reported that BAWSCA appealed to the SFPUC and to Ed Harrington regarding the wording of a draft SFPUC resolution for approving the Lower Crystal Springs Dam Project. The Resolution implied that downstream fish flows negotiated by the SFPUC would prevent them from meeting their water supply and reliability goals. The Commission changed its resolution and directed SFPUC staff to provide a report stating how the water supply goals will be met. The report is due by the end of March 2011.

B. BAWSCA Water Supply Management

1. Long-Term Reliable Water Supply Strategy – Overview of Policy Issues and Timeline for Addressing Them: Mr. Jensen noted that his presentation will initiate discussion of policy issues associated with developing a long-term reliable water supply strategy. Mr. Jensen presented the graphic of the Phased Strategy and noted that in July, the Board approved moving forward with Phase II-A, which will be an 18-month process.

Over the 18-month period and beyond, a variety of policy issues will be articulated, board member input requested, and alternatives evaluated. Mr. Jensen noted that not all the work will be done at the end of Phase II-A. Policy decisions will have consequences or implications for one or more agencies; therefore, a major portion of the policy development will take place between now and January 2012.

Mr. Jensen stated that while the WSIP deals with how the system will hold up to potential disaster that can happen at any time, the Strategy deals with growth which takes place slowly. The current low water use buys the agencies time to identify solutions that will require construction of facilities and take years to implement.

The potential water supplies being evaluated include groundwater, brackish groundwater desalination, desalination, recycled water, and water transfers. The Board will receive basic technical background information, public policy implications for individual agencies and the region, plus the alternatives and their relative advantages and disadvantages.

Board members will have the opportunity to request information from their local agency staff, additional information from BAWSCA staff, and discuss policy implications with other board members and agency staff.

Mr. Jensen presented the projected future need for water in normal years and the need for additional reliability in drought years. He noted that at least ten agencies will need more water to meet normal year needs by 2035. Some agencies need additional supplies immediately. Some agencies have sufficient supplies and are interested in producing water and making it available to other agencies in the region.

Some potential policy issues for normal and dry year supplies include cost allocation; the ability for agencies to opt in or out of the benefits and costs; under what circumstances might economically disadvantaged communities be supported; who finances, owns and operates projects; and what agreements are needed to

protect beneficiaries and ensure cost recovery. Board members were encouraged to ask questions and contribute their ideas..

Two members of the Board suggested contingency water supplies be examined in case the entire San Francisco Regional Water System fails. Others noted the connection between water supply and local and regional community planning, the importance of the quality of water, and the water quality needs of certain industries.

Director Quirk commented that there should be a process to ensure that everyone is able to contribute to the issues, and that BAWSCA's values be identified to address differing opinions.

Director Klein commented that there needs to be a continuing dialogue on how much agencies are willing to pay for the security of water supply, and whether agencies who are not interested in additional supply should continue to pay a proportionate share of costs.

In response to Director Klein's second comment, Mr. Jensen explained that the cost allocation for Phase II-A does not extend beyond that phase. The Board will consider and decide upon the allocation of costs for future phases of work before those phases begin.

Mr. Jensen noted the importance of formalizing agency decisions whether or not to participate in new supplies or drought reliability. He also noted that agreements will be needed to protect beneficiaries and ensure cost recovery.

Vice-Chair Pierce stated that the comments expressed by the members of the Board support the need for continuing discussions to address the policy questions. She stated that San Mateo County was the only county in the State that reallocated its regional housing numbers by working out cooperative agreements which allowed the trading of housing units and land use. This offers an opportunity and may answer the question of whether or not agencies choose to participate.

2. Drought Protection Goals – Policy Considerations (Part 1): Mr. Jensen reported that the SFPUC's 20% system wide reduction in a given dry year can be as high as nearly 50% for some agencies. In 2007, the economic impact of 20% system-wide shortages was estimated to be over \$7.5 billion per year. The affects on commercial, residential, and industrial activities can be significant.

Significant questions include how much are agencies willing to invest in additional drought protection; if not all agencies want more drought protection, will there be the ability to opt in or out; and how can the investments of agencies that do participate be protected?

Director Quirk expressed his appreciation for encouraging and devoting time for Board discussion on both the Strategy and Drought Protection goals. He restated the need for identifying values on which to base policy decisions.

Mr. Jensen stated that a draft timeline of when decisions will be presented at the March Board meeting. The discussion will continue at future meetings and comments made tonight will be taken given full consideration.

10. Directors' Discussion: Director O'Connell suggested putting a policy in place where the Chair and Vice Chair of the Board Policy Committee can serve as alternates to the Board Chair and Vice-Chair should they become unavailable to run the meeting.

Vice Chair Pierce agreed. She stated that she flew back for the September Board Policy from the League of California Cities' Conference, not only to run the meeting on behalf of Chair Fannon, but also to have a quorum.

Director O'Connell also suggested changing the name tags to include the names of the board members in the back for everyone's reference.

In reference to risks, Director O'Connell noted what she recently learned from San Bruno's Glenn View fire disaster. She noted that cities insured under ABAG who typically have coverage for \$25 million, should look into the cost of the next \$25 million. It is cost-effective and can provide the assistances cities may need in the event of a disaster.

11. Date, Time and Location of Next Meeting: The next meeting is scheduled on January 20, 2011, in the Wind Room, Foster City Community Center.

12. Adjourn to next meeting scheduled for September 16, 2010: The meeting was adjourned at 8:15pm.

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
November 18, 2010

Attendance Roster

Present:

| | |
|------------------|-----------------------------------|
| Robert Anderson | Purissima Hills Water District |
| Cyril Bologoff | City of Brisbane |
| Ken Coverdell | Coastside County Water District |
| Kelly Fergusson | City of Menlo Park |
| Armando Gomez | City of Milpitas |
| Michael Guingona | City of Daly City |
| Rob Guzzetta | California Water Service Company |
| Larry Klein | City of Palo Alto |
| Marty Laporte | Stanford University |
| 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 |
| Louis Vella | Mid-Peninsula Water District |
| John Weed | Alameda County Water District |
| Rick Wykoff | City of Foster City |

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Absent:

| | |
|----------------|---------------------------------|
| Ruben Abrica | City of East Palo Alto |
| Randy Breault | Guadalupe Valley Water District |
| Robert Craig | Westborough Water District |
| John Fannon | Town of Hillsborough |
| Patricia Mahan | City of Santa Clara |
| Chuck Reed | City of San Jose |
| Ron Swegles | City of Sunnyvale |

BAWSCA

Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 302
 San Mateo, California 94402
 (650) 349-3000 tel. (650) 349-8395 fax

TO: Arthur R. Jensen, CEO/General Manager
FROM: Deborah Grimes and John Ummel
DATE: January 14, 2011
SUBJECT: Budget Status Report as of November 30, 2010

This memorandum shows fiscal year budget status for FY 2010-11. It includes major areas of spending, provides an assessment of the overall budget, and summarizes reserve fund balances. This report covers the budget and expenses for BAWSCA. The BAWSCA budget includes necessary resources for the RFA and BAWUA.

Summary:

For the five month period ending November 30, 2010, total expenses were \$878,729 or 33% of the total budget of \$2,680,394.

Table 1. Budget Summary as of November 30, 2010

| Cost Category | Year-To-Date | | |
|---|------------------|----------------|------------|
| | Budget | Expenses | Percent |
| Consultants /Direct Expenditures | | | |
| Reliability | 975,800 | 233,167 | 24% |
| Fair Pricing | 248,000 | 49,150 | 20% |
| Administration | 62,000 | 62,009 | 100% |
| Subtotal | 1,285,800 | 344,327 | 27% |
| Administration and General | | | |
| Salary & Benefits | 1,057,894 | 436,144 | 41% |
| Other Expenses | | | |
| BAWSCA | 278,500 | 98,258 | 35% |
| BAWUA | 1,200 | 0 | 0% |
| Subtotal | 2,623,394 | 878,729 | 34% |
| Capital Expenses | 8,000 | 0 | 0% |
| Budgeted Contingency | 47,500 | 0 | 0% |
| Regional Financing Authority | 1,500 | 0 | 0% |
| Grand Total | 2,680,394 | 878,729 | 33% |

Overview:

Overall expenditures are tracking as expected.

Consultants

The \$255,000 budget for technical review and tracking of the SFPUC's WSIP was 23% expended. Strategic counsel's budget, for work other than the Long-Term Reliable Water Supply Strategy, was 52% expended. The \$366,000 legal budget was 22% expended. The \$325,800 budget for water management and conservation-related activities including public information, regional program and materials, water supply planning, data base development and landscape classes was 37% expended.

Administration

Salary/fringe costs were 41% expended.

Other Expenses

Other Expenses were 35% expended.

Use of Reserve Fund Balance:

In accordance with the adoption of the annual budget in May 2010, the Board approved transferring \$163,394 from the reserve to fund the FY 2010-11 budget. The BAWSCA reserve balance shown below does not yet reflect this transfer or the deposit of unspent funds from FY 2009-10, estimated at \$400,000.

Table 2. Reserve Fund Balances

| Fund | Account Balance (As of 09/30/10) | Account Balance (As of 11/30/10) |
|--------------|---|---|
| RESERVE | \$407,192 | \$407,192 |
| Total | \$407,192 | \$407,192 |

Long-Term Reliable Water Supply Strategy and Use of Water Management Charge:

Phase 2 of the Long-Term Reliable Supply Strategy (Strategy) began this fiscal year. Funding is provided through the Water Management Charge, approved by the Board in July 2010. As of November 30, 2010, Water Management Charge revenue totaling \$404,172 has been collected by and received from the SFPUC. To date, consultant invoices totaling \$25,880 have been paid.

BAWSCA

Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 302
San Mateo, California 94402
(650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: BAWSCA Board of Directors

FROM: Arthur R. Jensen, CEO/General Manager

DATE: January 13, 2011

SUBJECT: Quarterly Investment Report for the Period Ending December 31, 2010

In February 2004, the board adopted an investment policy consistent with the Government Code that requires a quarterly report on the Agency's investments be provided to the Board within 30 days after the close of each quarter. The Board reviewed and revised the investment policy at the July 15, 2010 Board meeting. This report presents fund management in compliance with the investment policy.

Local funds in excess of \$250,000 are deposited in the BAWSCA LAIF account throughout the year to ensure compliance with BAWSCA's investment policy at that time.

BAWSCA's prior and current period local agency investment (LAIF) account balances are shown below.

| | |
|-----------------|-----------------|
| <u>09/30/10</u> | <u>12/31/10</u> |
| \$1,286,470 | \$1,802,900 |

Of the total in the BAWSCA LAIF account as of December 31, \$407,192 represents BAWSCA's Reserve Fund, equivalent to approximately 15% of this year's budget. The remaining amount consists of unrestricted funds and subscription conservation program funds.

Recent historical quarterly interest rates for LAIF deposits are shown below:

| | |
|-----------------|-----------------|
| <u>06/30/10</u> | <u>09/30/10</u> |
| 0.56% | 0.51% |

BAWSCA

Bay Area Water Supply & Conservation Agency

155 Bovet Road, Suite 302
San Mateo, California 94402
(650) 349-3000 tel. (650) 349-8395 fax

MEMORANDUM

TO: BAWSCA Board of Directors

FROM: Arthur R. Jensen, CEO/General Manager

DATE: January 13, 2011

SUBJECT: Directors' Reimbursement Quarterly Report for the Period Ending
December 31, 2010

In March 2006, the board adopted a directors' expense reimbursement policy consistent with the Government Code that requires a quarterly report on the Agency's reimbursement of directors' expenses. This report shall show the amount of expenses reimbursed to each director during the preceding three months.

There were no director expenses reimbursed for the quarter ending December 31, 2010.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Mid-Year 2010-11 Work Plan and Budget Review**

Summary:

Anticipated work through the end of this fiscal year can be accomplished within the existing budget, provided the Board of Directors approves modest reallocations within the approved budget. No additional funds are needed or anticipated at this time. This action recommends Board authorization to reallocate \$35,000 within the approved budget.

Fiscal Impact:

No change to the total approved budget for FY 2010-11.

Board Policy Committee Action:

Following questions and deliberation, the Committee voted unanimously to recommend the proposed action.

Recommended Board Action:

That the Board approve the following adjustments resulting from the mid-year review of workplan and budget:

- Reallocate \$35,000 in the approved budget from professional fishery consultation to support water conservation activities that would otherwise be performed by staff.
- Authorize the CEO to amend the existing professional services contract with Brown & Caldwell to add \$35,000 to support the implementation and ongoing support of the water conservation data base, for a total not-to-exceed contract amount of \$120,800.

Discussion:

As noted during preparation of the work plan and budget for FY 2010-11, existing staff resources are insufficient to complete the workplan as originally envisioned. The shortage of staff is in the area of water supply and conservation. Planned and anticipated work through the end of this fiscal year can be accomplished within the existing budget, provided the Board of Directors approves a reallocation of funds within the approved budget and additional resources are approved to perform water conservation work.

Overall Status of Results to be Achieved during FY 2010-11. Table 1 presents the Board-approved workplan of results to be achieved during FY 2010-11. All of the tasks are on schedule as of December 1, 2010, although work in some areas needs to be re-prioritized and re-scheduled.

Workplan Modifications and Proposed Budget Revisions. The proposed response to the current Fiscal Year workload imbalance is two-fold: Re-prioritize planned work within existing budget resources and re-schedule work scheduled for the current fiscal year.

First, in order to maintain focus on Phase IIA of the Long-Term Reliable Water Supply Strategy, the amount of staff time that would otherwise be devoted to implementing regional water conservation programs must be re-prioritized and reduced. Water conservation remains an essential near-term solution to meeting current and future water needs reliably.

For that reason, outside professional resources can be used to ensure that critical conservation programs proceed within the current fiscal year. The necessary realignment of resources can be achieved within the approved budget for FY 2010-11.

Second, several specific areas of work scheduled for this fiscal year can be reduced in scope or postponed to next fiscal year to free up resources to focus on the Long-Term Reliable Water Supply Strategy.

The specific Workplan modifications and proposed budget revisions are:

1. Extend consultant support to cover work previously assigned to staff. Staff time was unavailable to fully support the launch and ongoing implementation of the data base for tracking agency water conservation efforts. The necessary support can be provided by Brown & Caldwell, who developed the data base and trained agency staff in its use, if the professional services contract is amended to cover the additional tasks and costs. The estimated additional cost for the firm to provide these services is \$35,000. The existing contract with Brown & Caldwell is for \$85,800. Board approval of a contract amendment would be needed to proceed with this recommended solution to the staff limitation. The alternative to the recommended solution would be to suspend implementation of the data base or to take staff time away from other higher priority work. Funding for the contract amendment is available from savings in other consultant expenses.
2. Temporarily re-assign existing staff to support water conservation programs. The Assistant to the CEO has been temporarily assigned to assist in the scheduling, contracting and logistics for the successful and highly-demanded water-efficient landscape classes.
3. Limit the effort associated with regional public outreach to support water conservation programs. Agencies have expressed a strong desire for BAWSCA to provide centralized regional outreach for BAWSCA's water conservation programs, citing the difficulties associated with managing consistent, ongoing outreach as individual agencies. Providing coordinated and consistent messaging will be important over the long-term, but a lower level of effort can be accommodated this year. Water use remains lower than projections and limited staff resources have been devoted to the Long-Term Reliable Water Supply Strategy. Limited amounts of time have been assigned to the Assistant to the CEO to update conservation marketing materials, maintain the water conservation portion of the BAWSCA web site and other support activities.
4. Develop plan for new subscription water conservation program desired by agencies. During this year agencies expressed a strong desire for a lawn replacement incentive program administered by BAWSCA. Other water agencies in the region and state implement such programs. To determine what a successful program might entail, BAWSCA has examined the successes and pitfalls other agencies have encountered. A small contract within the CEO's spending authority has been signed with a technical consultant to provide some necessary documents to support the implementation of such a program.
5. Limited funds needed for reviewing Water System Improvement Program project designs. We currently anticipate significant savings in the budget for professional technical review of SFPUC project designs. Professional services for tracking

construction progress and spending will be expended. These changes reflect the status of SFPUC projects passing from design into construction.

6. Postpone Tuolumne River fishery work. The approved work plan included tracking technical work associated with Tuolumne River fishery restoration under the existing FERC agreement. While this is an important long-term issue for ensuring the reliability of the SFPUC water supply, the work being performed this fiscal year is not as high a priority as other water supply and water conservation work. Cost savings will occur from not hiring a fisheries consultant. The approved budget contained \$35,000 for a professional fishery consultant. The priority and schedule for this work will be re-assessed when developing the budget for FY 2011-12. Staff will continue to monitor monthly reports by the Tuolumne River Technical Advisory Committee.

The FY 2010-11 workplan also included a task for the CEO to articulate future staffing needs, evaluate alternative ways to provide the necessary resources and prepare any position descriptions, cost information and recommendations. This item will be reported separately.

As always, if new, unanticipated issues arise during the spring, they will be brought to the attention of the Committee and Board with recommendations to further reallocate and/or add to existing budget resources, if necessary.

Table 1. Results to be Achieved in FY 2010-11

(Approved by the Board on May 20, 2010)

| <u>RELIABLE SUPPLY -- WATER SUPPLY MANAGEMENT PROGRAM</u> | <u>Status: On schedule?</u> |
|--|------------------------------------|
| <p>1. <u>Long-Term Supply Solutions: Reliable Water Supply Strategy</u> Prepare the Long-Term Reliable Water Supply Strategy to provide reliable supplies of water when and where needed through the year 2035.</p> | Yes |
| <p>2. <u>Near-term Supply Solutions: Water Conservation</u> a. <u>Implement Core Water Conservation Programs</u> - Programs that benefit all customers. b. <u>Implement Subscription Water Conservation Programs</u> - Rebate and other programs that benefit, and are paid for by, agencies that subscribe for these services.</p> | Yes Yes |
| <p>3. <u>Facility Reliability: Monitor SFPUC Water System Improvement Program</u> Monitor scope, cost and schedule as San Francisco completes EIR and design work and enters an aggressive five-year construction schedule. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, meet the requirements of AB 1823 and respond promptly to BAWSCA's reasonable requests.</p> | Yes Priority lowered |
| <p>4. <u>Protect Members' Water Supply Interests in FERC Re-licensing of New Don Pedro Res.</u></p> | Yes |
| <p>5. <u>Support Preparation of Urban Water Management Plans (UWMPs)</u> Produce consistent language for sections common to all BAWSCA UWMPs. Provide guidance and analyses for agencies' compliance with new State law (20 x 2020). Prepare and submit updated water demand projections to SFPUC in compliance with Water Supply Agreement.</p> | Yes Yes Yes |
| <p>6. <u>Pursue Grant Opportunities Independently and in Coordination with Regional Efforts</u></p> | Action pending |
| <p><u>FAIR PRICE</u></p> | |
| <p>7. <u>1984 Contract</u> Manage close-out of the 1984 contract in a collaborative relationship with San Francisco to protect members' and their customers' interests in a fair price for water purchased from San Francisco.</p> | Yes |
| <p>8. <u>2009 Water Supply Agreement</u> Administer the Agreement in a collaborative relationship with San Francisco to protect members' and their customers' interests in a fair price for water purchased from San Francisco.</p> | Yes |
| <p><u>HIGH QUALITY WATER</u></p> | |
| <p>9. Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs.</p> | Yes |
| <p><u>AGENCY EFFECTIVENESS:</u></p> | |
| <p>10. <u>Maintain Allies and Contacts with Environmental Interests</u> Maintain close relationships with BAWSCA's powerful allies (state legislators, business, labor, local government, water customers, and the media) and activate them if necessary to safeguard the health, safety and economic well-being of residents and communities. Maintain a dialogue with responsible environmental and other groups, who will participate in the project permitting and approval process for rebuilding the system.</p> | Yes Yes |
| <p>11. <u>Manage the activities professionally and efficiently.</u></p> | Yes |

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: Recommendation to Resolve Human Resource Needs

Summary:

When the FY2010-11 work plan and budget was presented last spring, the Board was informed that existing human resources were insufficient to achieve the necessary results. The board was informed that this would be a long-term problem and that issue would be analyzed and recommendations presented to the Board for consideration. This memorandum addresses the causes and magnitude of additional human resource needs, alternatives for addressing the imbalance, and a specific recommendation.

Fiscal Impact:

If the Board approves the proposed new position and the estimated top-step salary, each year's budget would need to include an amount for salary less than or equal to the top step, plus benefits. The top-step salary for positions comparable to the proposed position is \$93,276. The cost of some benefits depends on family size, health care plan and other factors, but would fall in the range of \$21,500 to \$36,200 per year. Approval of the position would add a maximum of \$129,500 to the annual operating budget (\$93,276+\$36,200).

The actual impact on operating expenditures would be lower. A portion of the employee's time would be charged to subscription-based conservation programs. For example, if fifty percent of the employee's salary were charged to agencies participating in subscription-based conservation programs, as anticipated, the maximum impact on operation expenses would be \$82,838 per year (\$46,638+\$36,200).

Board Policy Committee Action:

At the December Board Policy Committee meeting, the Committee saw the advantages of providing resources to perform the work, and desired more information before making a decision. The Committee voted to present the staff recommendation to the Board and asked that the staff report clarify the advantages of the position, the basis for the level of compensation, and how the position will be paid for in the current and coming years.

Recommended Board Action:

That the Board approves:

- a. The creation of a new staff position and associated position description;
- b. The top-step salary of \$93,276;
- c. Authorize the CEO to recruit for and fill the position prior to the end of FY 2010-11 using funds available within the existing budget.
- d. Transfer funds in the amount of \$32,369 from funds budgeted for water conservation professional services to personnel salaries and benefits, with the understanding that approximately fifty percent of this amount would be reimbursed through subscription conservation programs.

Discussion:

The FY2010-11 work plan approved by the Board on May 20, 2010 stated, “Projected workloads over the next six to ten years exceed what can be accomplished by existing staff and demonstrate that another staff position will be required to support anticipated water supply management activities”.

The work plan also includes a task for the CEO to articulate future staffing needs, evaluate alternative ways to provide the necessary resources and prepare any position descriptions, cost information and recommendations.

More human resources are needed to achieve necessary results in the area of Water Resource Management. This area of work performed by BAWSCA includes development and implementation of the Long-Term Reliable Water Supply Strategy (Strategy) and implementation of regional water conservation programs.

More Human Resources Need to be Directed to the Long-Term Supply Strategy

Beginning FY2010-11, the amount of staff and consultant work associated with the Long-Term Reliable Water Supply Strategy is increasing to address technical, policy and implementation issues. This work load will continue through at least 2018 to support both the development of the Strategy and its implementation.

Initial estimates indicate that during FY 2011-12, approximately 40 percent of Ms. Sandkulla’s time and 60 percent of Ms. Dutton’s time will be devoted to the Long-Term Reliable Water Supply Strategy. The timeline for the Long-Term Reliable Water Supply Strategy extends until early 2014. That date signifies when all related studies are expected to be completed.

Implementation of the results, through construction of water producing facilities and related agreements for project development, financing and repayment, will continue for several years beyond that date. If any of the water supply projects are performed or managed by BAWSCA, a combination of staff time and outside consultants would be expected to perform that work.

At this time, it is not possible to foresee how much of that work would be performed by BAWSCA, but BAWSCA’s future involvement in both long-term water supply and water conservation activities is expected to continue through at least 2018.

Agencies Desire Additional BAWSCA Support to Achieve Conservation Savings

For water conservation, BAWSCA’s Subscription and Core Programs support agencies’ in achieving their water conservation goals. Member agency interest in subscription-based water conservation programs continues to increase in two ways: the number of agencies participating in BAWSCA programs has increased, and the number of end-use customers taking advantage of rebate and other programs has increased.

There are several reasons that agencies look to BAWSCA to provide regional programs:

1. As demonstrated by BAWSCA's Water Conservation Implementation Plan, conservation continues to be more cost effective than purchasing water from San Francisco or developing new supplies.
2. BAWSCA's programs enable conservation programs to be implemented at lower cost to agencies and their customers.
3. BAWSCA's programs enable conservation programs to be implemented with fewer demands on agency staff time.
4. BAWSCA's programs provide greater market penetration through regional advertising and follow up.

Existing staff resources are insufficient to implement and administer these services, even though the cost of staff time devoted to the programs is paid for by the participating agencies.

The water conservation work consists of the Core and Subscription Programs, presented in **Table 1**, including the number of agencies participating by county.

The Magnitude and Duration of the Resource Imbalance

Historically, two positions have performed this work with assistance from outside consultants and contractors. Those positions are the Water Resource Manager and the Water Resource Engineer/Planner.

As the Board was informed last spring, the work plan approved by the Board in May 2010 contained more work than two full time employees could perform. Deducting vacation time from a full work year, the work load for these positions was equivalent to 188 percent and 188 percent of available hours (1920 hours), respectively.

Following a commitment to the Board in May, a re-examination of work assignments, priorities and workloads was performed this fall. After assigning some work to other staff members, greater use of outside professional services and postponing lower priority work, the resulting work load for these two positions was 140 percent and 155 percent, respectively.

While this is an improvement, the work load is not yet in balance. Additional resources or adjustments would be needed to balance work load in the current year.

The imbalance is not expected to decrease over the next five to eight years. Current estimates demonstrate that, collectively, agencies need to conserve 34 mgd by 2018 and 55 mgd by 2035. Agencies are expected to continue their increasing reliance on BAWSCA to achieve these savings in a cost-effective manner that places fewer demands on local agency staff.

Alternative Solutions

The required work is to perform the bulk of work associated with implementation of existing and expanding water conservation programs, plus the development and implementation of new conservation programs.

The following alternatives were considered to address the imbalance between workload and resources:

1. Reduce the scope of water conservation activities,
2. Extend the timeline for completing the Long-Term Reliable Water Supply Strategy,
3. Perform the conservation work by hiring temporary employees,
4. Perform the conservation work by contracting with outside consultants, or
5. Create and fill a new position.

Table 2 characterizes each alternative relative to the impact on the annual operating budget and the ability to meet agency needs, direct and manage work load and performance, and respond to changes in workload.

Based on the review of alternatives presented in Table 2, the recommended action is the approval of a new position. A new position provides the best combination of flexibility to meet agency needs for human resources at an appropriate cost. This new position would report to the Water Resources Planning Manager and be assigned to implementing water conservation.

Cost Implications

If the Board approves the proposed new position and the estimated top-step salary, each year's budget would need to include an amount for salary less than or equal to the top step, plus benefits. The top-step salary for positions comparable to the proposed position is \$93,276.

Each year's budget would need to include an amount for a salary less than or equal to the top step, plus benefits. Current total benefits at the top-step of the salary range are estimated to be between \$21,500 and \$36,200, depending on health plan, family size and other factors. Added together, the fully loaded top-step compensation for the position would be between \$114,776 and \$129,476.

If the position were approved and filled during the current fiscal year, the actual impact on the FY 2010-11 budget will be less than the amount shown above because the position would be filled for a fraction of the year and a new hire would likely be offered less than the top step salary. An appropriate estimate for FY 2010-11 cost would be \$32,369, or 25 percent of the top-step salary plus benefits.

Funding

It is estimated that 50 percent of the cost of this position is expected to be funded by the subscription program rather than through the BAWSCA annual operating budget. This

means that approximately 50 percent of the cost of this new position would be reimbursed for by agencies participating in BAWSCA's subscription conservation programs.

For example, if fifty percent of the employee's salary were charged to agencies participating in subscription-based conservation programs, as anticipated, the maximum impact on operation expenses would be \$82,838 per year (\$46,638+\$36,200).

The Committee also asked whether the position would increase the administrative costs to participating agencies to the extent that participation in the subscription programs might drop off. BAWSCA's administrative costs are small compared to the overall cost of programs.

The Committee asked what the net impact on the operating budget would be. Historically, the operating budget includes the full salaries and benefits for all BAWSCA employees. During the year, a portion of that cost is reimbursed by agencies participating in subscription conservation programs. If the level of participation in subscription programs, and the level of activity by water customers (numbers of washing machines and toilets purchased) could be known in advance, the administrative costs could be estimated and the operating budget reduced to a commensurate amount. But those numbers cannot be determined in advance. Of potentially more significance is the cost of staff time devoted to future phases of the long-Term Reliable Water Supply Strategy. Those costs, and their allocation to member agencies, may be much larger than the costs of the water conservation programs. The CEO has initiated a review of, and possible modifications to, the accounting practices to enable staff time to be tracked in a more detailed, but practical manner, and to shift to fund accounting in order to budget, track and report expenses and revenues by activity. As this question by the Committee will be more important in coming years, due to the potential cost of water supply projects, the CEO recommends that the current budgeting of staff salaries and benefits continue, that the modification to the accounting practices be implemented, and the question of reducing the operating budget by expected reimbursements be considered as part of the work plan for FY 2011-12.

The Committee asked whether it would be feasible for subscription program reimbursement to include the cost of benefits as well as salaries. For the balance of FY 2010-11, the significance of reimbursing a portion of the benefit would be minor. However, this concept needs to be thoroughly investigated because future expenditures on water supply and reliability may be large and the Board may elect to have staff costs reimbursed by benefitting agencies. The task of investigating this issue will be proposed for inclusion in the work plan for FY 2011-12.

Basis for Level of Compensation

A position description was drafted so that comparable compensation information could be developed for this analysis. **Attachment 1** is a copy of the position description.

In the fall of 2010, Koff and Associates performed a survey of top-step compensation for similar positions at other Bay Area agencies. The results of that survey are presented in **Table 3**.

**Table 1:
Broad Agency Participation in BAWSCA's Conservation Programs**

| Program | | Alameda | San Mateo | Santa Clara | TOTAL |
|--------------|--------------------------|---------|-----------|-------------|-----------|
| Core | Landscape Classes | 2 | 16 | 8 | 26 |
| | Ordinances | 2 | 16 | 8 | 26 |
| | WaterWise Gardening Tool | 2 | 16 | 8 | 26 |
| | Public Outreach | 2 | 16 | 8 | 26 |
| Subscription | Washing Machine Rebates | 1 | 15 | -- | 16 |
| | HET Rebates | 1 | 13 | -- | 14 |
| | Water Wise Kits | 1 | 13 | 3 | 17 |
| | EarthCapades | 1 | 10 | 3 | 14 |
| | Landscape Audits | -- | 12 | 1 | 13 |
| | Bulk Fixture Purchase | 1 | 8 | -- | 9 |
| | <i>Lawn Be Gone!</i> | 2 | 13 | -- | 15 |

Table 2: Comparison of Alternatives for Balancing Resource Needs

| | Alternative | Flexibility to Meeting Needs of Agency | Ability to Direct Work and Manage Performance | Respond to Changes in Workload and Priorities | Impact on Annual Operating Budget¹ |
|----------|-----------------------------------|--|--|--|---|
| 1 | Reduce water conservation efforts | Reduces ability to achieve necessary and planned for water savings. | NA | NA | None |
| 2 | Extend Long-Term Supply Solutions | Postpones date by which agencies can count on reliable supplies or supply options. | NA | NA | None |
| 3 | Hire temporary employees | Avoids long-term agency commitment to additional staff. Limits hours available. | Cannot work on site. Would require more than one temp employee. | Less efficient response to changes in daily or weekly needs. | Comparable to new hire for equivalent number of hours. |
| 4 | Hire consultants | Avoids long-term agency commitment to additional staff. | Person would work offsite. Primarily beholden to corporate performance evaluation. | Less able to respond to changes in priorities, schedules due to task-based assignments and competition with other clients. | Pay direct salaries, plus overhead, plus profit. |
| 5 | Create and fill new position | At-will employee can be dismissed if workload diminishes. | Direct report to Water Resources Planning Manager | Duties and responsibilities could be modified as needed to meet agency needs. | Top-step salary = \$93,276/yr. Benefits = \$21,000 to \$36,000/yr. |

¹ The cost of work supporting subscription-based water conservation programs would be billed to participating agencies.

BAY AREA WATER SUPPLY & CONSERVATION AGENCY

POSITION TITLE: WATER CONSERVATION ADMINISTRATOR

SALARY RANGE: \$74,621 - \$93,276

Definition:

Under the general direction of the Water Resources Planning Manager, organizes, develops and administers regional water use efficiency programs and activities that increase water supply reliability within the BAWSCA service area. Performs both routine and complex assignments, including new program development, selection and management of consultants, budget preparation and tracking, report preparation and analysis, marketing plan development, and program coordination with BAWSCA member agencies as well as local and state agencies. This job requires the ability to follow direction, and use of initiative and independent judgment, and individual accountability for successfully completing assigned projects

In addition, BAWSCA's General Manager or the Water Resources Planning Manager may assign other work.

Principal Duties and Responsibilities:

- Provides assistance to the Water Resources Planning Manager.
- Assists in the development and implementation of water resources goals, objectives, policies and priorities.
- As a specialist on water use efficiency, research, evaluate, and design new regional water conservation programs; develop and implement program work plans; prepare reports and analyses or program operations and evaluation; and communicate programs to the membership to promote acceptance.
- Coordinate program administration with member agencies, other local agencies, and state agencies
- Develop and execute program marketing plans including reviewing, proposing, and developing program literature and outreach materials.
- Administer BAWSCA's web-based water conservation tracking program – the Water Conservation Database Program.
- Gathers, analyzes, and interprets data and information related to water use; develops information resources on water conservation; writes technical reports and publications; assists in the preparation of brochures; and coordinates contact with member agencies, SFPUC, and other agencies.
- Monitor and evaluate developments in water conservation technologies and techniques; maintain awareness of new developments in the field of water conservation; incorporate new developments as appropriate into programs.
- Assist in the preparation of request for proposals and administer consultant contracts.
- Assists in grant funding procurement and implementation.
- Provides technical support on water conservation issues.

- Plan, coordinate, and staff special events, workshops, and professional seminars; speak to community and other groups.
- Represents BAWSCA in regional forums specific to work areas including but not limited to Bay Area Water Agency Coalition, Bay Area Regional Water Recycling Program, Bay Area Integrated Regional Water Management Plan, and Bay Area Water Conservation Coordinators.
- Performs related duties as assigned.

Knowledge of water conservation in general as well as water conservation technologies and practices is necessary as well as solid program administration experience, demonstrated project management skills, strong budgeting experiences, excellent computer and writing skills, a confident and professional demeanor, the ability to work independently and to be accountable for all assigned tasks and projects, as well as establish and maintain effective working relationships with a wide variety of people.

Education and Experience:

Any combination of education experience that would likely provide the required knowledge, skills, and abilities is qualifying. A typical way to obtain the knowledge, skills, and abilities would be the equivalent of:

Education: Equivalent to a Bachelor's degree from an accredited college or university with major course work in public administration, environmental studies, marketing, public relations, engineering, or a related field.

Experience: One year experience in administering and implementing water conservation programs. Four years of increasingly responsible experience in program administration and management in public relations, marketing, environmental studies, engineering, or related fields.

**Bay Area Water Supply and Conservation Agency
Top Monthly Salary Data
November 2010**

January 20, 2011 - Agenda Item #9B -Table#3

| WATER CONSERVATION - PROPOSED | | | | | | |
|--------------------------------------|--|--------------------------------------|---------------------------|-----------------------|-----------------------------|---------------------------------|
| Rank | Comparator Agency | Class Title | Top Monthly Salary | Effective Date | Next Salary Increase | Next Percentage Increase |
| | BAWSCA | Water Conservation - Proposed | Proposed | | | |
| 1 | East Bay Municipal Utility District | Water Conservation Administrator | \$10,274 | 4/26/2010 | Unknown | Unknown |
| 2 | San Francisco PUC ^a | Water Conservation Administrator | \$8,359 | 7/1/2010 | 7/1/2012 | 2% |
| 3 | Alameda County Water District | Water Conservation Specialist 2 | \$7,773 | 6/28/2010 | Unknown | Unknown |
| 4 | Santa Clara Valley Water District ^b | Water Conservation Specialist II | \$7,430 | 6/28/2010 | Unknown | Unknown |
| 5 | Contra Costa Water District | Water Conservation Specialist | \$7,389 | 11/16/2009 | 11/15/2010 | 2.5-5% |
| | City of Hayward | N/C | | | | |
| | City of Palo Alto | N/C | | | | |
| Median of Comparators | | | \$7,773 | | | |

NOTE: All calculations exclude Bay Area Water Supply & Conservation Agency

N/C - Non Comparator

a Publicized salary is \$8,944 which includes a 7% SFERS retirement contribution payroll deduction. Figure shown does not include the 7% contribution.

b Publicized salary is \$8,166 which includes a 9.9074% PERS retirement contribution payroll deduction. Figure shown does not include the 9.9074% contribution.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Title: **Fiscal Year 2011-12 Work Plan and Budget Preparation**

Summary:

The preliminary work plan for next fiscal year began by compiling a list of major challenges that BAWSCA, its member agencies, and their water customers will face over the next six to eight years. This long-term perspective helps anticipate and identify the results that must be achieved during FY2011-12.

As in prior years, the preliminary budget will be developed to provide the resources needed to achieve necessary results. Emphasis is placed on the most vital results that need to be achieved in order to provide reliability and high quality water at a fair price. Activities that are secondary to those goals may be noted but are not incorporated into the budget.

The presentation provided to the Board Policy Committee in December will be provided to the Board of Directors at the January meeting, in preparation for budget discussions later this Spring.

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD OF DIRECTORS MEETING

Agenda Item Title: Long-Term Reliable Water Supply Strategy Progress Report

Summary:

BAWSCA is developing a strategy to meet the projected water needs of its member agencies through 2035 and to increase their water supply reliability under normal and drought conditions. The Long-Term Reliable Water Supply Strategy (Strategy) is proceeding in three phases. The analysis and evaluation phase, Phase II, is currently underway. This item presents a report on progress achieved in Phase II of the Strategy.

Fiscal Impact: None

Recommendation: This item is for information and discussion. No Board action is requested.

Discussion:

A reliable supply of water is required to support the health, safety, employment, and economic well-being of the existing and future residents, businesses, and community organizations in the region. To ensure this result is achieved, BAWSCA is developing the Strategy to meet these projected water needs under normal and drought conditions.

The Strategy is proceeding in three phases:

- Phase I (complete, May 2010) defined the magnitude of the water supply issue, potential projects, and the scope of work for the Strategy;
- Phase II will continue the development of the Strategy through detailed analysis of water supply management projects, and development of the implementation plan for the Strategy; and
- Phase III will include the implementation of specific water supply management projects identified as part of the Strategy.

Phase II was initiated in August 2010. Major activities to date include the following key items:

- Compilation and evaluation of currently available data for 65 potential projects identified by BAWSCA agencies in the Phase I Scoping Report scoping, including identification of data gaps.
- Held one-on-one meetings with representatives from each BAWSCA member agency to identify what each agency expects from Strategy in both normal and dry years and to discuss agency projects.
- Conducted preliminary discussions to begin evaluating potential water transfer options and identification of transfer conveyance opportunities.
- Compilation of available data for several regional projects identified in Phase I Scoping Report including Regional Desalination.
- Began development of analysis tools and models to be used to evaluate water supply portfolios.
- Conducted an initial discussion of potential policy issues with the Board of Directors.

A policy decision schedule will be presented to the Board at its March meeting with preliminary information provided to the Board Policy Committee in February.

**Bay Area Water Supply and Conservation Agency
and Regional Financing Authority**

Meeting Schedule through December 2011

| Schedule for BAWSCA Board Meetings (Meetings are held from approx. 7:00 – 9:00 p.m.) | |
|---|---|
| <u>Date</u> | <u>Location</u> |
| Thursday – January 20, 2011 | Wind Room, Foster City Community Center |
| Thursday – March 17, 2011 | Wind Room, Foster City Community Center |
| Thursday – May 19, 2011 | Wind Room, Foster City Community Center |
| Thursday – July 21, 2011 | Wind Room, Foster City Community Center |
| Thursday – September 15, 2011 | Wind Room, Foster City Community Center |
| Thursday – November 17, 2011 | Wind Room, Foster City Community Center |

| Schedule for RFA Board Meetings (Meeting time will be announced) | |
|---|---|
| <u>Date</u> | <u>Location</u> |
| Thursday – January 20, 2011 | Wind Room, Foster City Community Center |
| Thursday – July 21, 2011 | Wind Room, Foster City Community Center |

| Schedule for BAWSCA Board Policy Committee Meetings (Meetings held from 1:30-4:00 p.m.) | |
|--|--|
| <u>Date</u> | <u>Location</u> |
| Wednesday – February 9, 2011 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – April 13, 2011 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – June 8, 2011 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday – August 10, 2011 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday, October 12, 2011 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |
| Wednesday, December 14, 2011 | 155 Bovet Rd., San Mateo – 1 st Floor Conf. Rm. |