

# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

## **BOARD POLICY COMMITTEE**

**December 14, 2011**

**1:30 p.m.**

**BAWSCA Offices, 155 Bovet Road San Mateo, 1<sup>st</sup> Floor Conference Room**  
*(Directions on page 2)*

### **AGENDA**

*One member of the Committee will participate in this meeting by Teleconference. Locales shall be: 155 Bovet Road, San Mateo, CA 94402 and 26420 Parkside Drive, Hayward, CA 94542. All votes taken at this meeting will be by roll call vote.*

**1. Call To Order, and Roll Call** **(Klein)**

Roster of Committee members (*Attachment*)

**2. Comments by Chair** **(Klein)**

**3. Public Comment** **(Klein)**

*Members of the public may address the committee on any issues not listed on the agenda that are within the purview of the committee. Comments on matters that are listed on the agenda may be made at the time the committee is considering each item. Each speaker is allowed a maximum of three (3) minutes.*

**4. Consent Calendar** **(Klein)**

Approval of Minutes from the October 12, 2011 meeting (*Attachment*)

**5. Reports and Discussion**

**A. Mid-Year 2011-12 Work Plan and Budget Review (*Attachment*)** **(Jensen)**

Issue: What adjustments are needed to complete planned and anticipated work during FY2011-12?

Information to Committee: A memo and oral presentation on proposed revisions to the Work Plan and budget, projected year-end spending, the estimated year-end General Reserve balance and the need for and timing of decisions for managing the General Reserve balance.

Committee Action Requested: a) Discussion of proposed revisions and alternatives considered, and b) consideration of recommending the proposed changes to the Board.

**B. Fiscal Year 2012-13 Work Plan and Budget Preparation (*Attachment*)** **(Jensen)**

Issue: What critical results need to be achieved next year and what resources will be required?

Information to Committee: A memo and oral report on challenges that must be considered in preparing the FY2012-13 preliminary Work Plan and budget.

Committee Action Requested: Discussion of issues that must be addressed during FY2012-13.





**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE**

**Committee Roster:**

Larry Klein, City of Palo Alto (Chair)

Rob Guzzetta, California Water Service Company (Vice-Chair)

Ruben Abrica, City of East Palo Alto

Robert Anderson, Purissima Hills Water District

Randy Breault, City of Brisbane/GVMID

Irene O'Connell, City of San Bruno (BAWSCA Vice Chair)

Tom Piccolotti, North Coast County Water District

Barbara Pierce, Redwood City (BAWSCA Chair)

Bill Quirk, City of Hayward

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

**October 12, 2011 – 1:30 p.m.  
155 Bovet Road, 1<sup>st</sup> Floor Conference Room**

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

Committee Chair Larry Klein called the meeting to order at 1:32pm. Eight members of the committee were present, constituting a quorum. A list of the directors present (8) and absent (1) and members of the community who attended is attached.

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

**3. Consent Calendar:**

Approval of the Minutes from the August 10, 2011 meeting: Director O’Connell made a motion, seconded by Director Anderson, to approve the minutes from the meeting of August 10, 2011. The motion carried unanimously

**4. Action Calendar:**

Authorization to Negotiate and Execute a Contract with PG&E for the Washing Machine Rebate Program (WMRP): Ms. Sandkulla reported that the recommendation for this action item is to renew the contract with PG&E for the implementation of the Washing Machine Rebate Program for FY 2012-2013. The current contract with PG&E for administrative services for the WMRP will expire June 30, 2012.

The WMRP is included in the FY 11-12 Work Plan adopted by the Board. The program is offered on a subscription basis and is paid for by the participating agencies.

The administrative services provided by PG&E link water and energy efficiency programs in one rebate application, which has been well-received by customers.

Discussions about administrative changes were initiated one year ago by BAWSCA and other Bay Area water agencies. Program changes expected for 2012 includes an increased level of efficiency for qualifying machines.

The WMRP was the first conservation program offered by BAWSCA beginning in FY 2001-02. It has been highly successful ever since, issuing 12,441 rebates between FY2011-02 and FY 2008-09.

Grant funding of \$37.50/rebate is expected as of July 2012 as a result of the Prop 50 grant award. Ms. Sandkulla noted that the Prop 50 Grant will also offset rebate costs of the Lawn Be Gone and the High Efficiency Toilet Replacement Programs. It is a significant grant of nearly \$900,000 for the BAWSCA agencies.

Alternatives to the recommendation would be using a different program administrator, or not offering the program.

Director Breault made a motion, seconded by Director Pierce, to recommend that the Board authorize the CEO to negotiate and execute a contract with PG&E for rebate processing services through June 30, 2013, and offer participation to member agencies through December 31, 2012. The motion carried unanimously.

Amendment to Policies and Procedures for the Purchase of Equipment and Supplies/Award of Contracts: Mr. Jensen presented the recommendation to amend the Procurement Policy to increase the CEO's discretionary spending authority. Legal counsel had reviewed this and BAWSCA's other administrative policies to ensure conformance with existing laws and agency needs.

Legal counsel's review showed that other Bay Area public entities have limits of \$25,000-\$50,000 depending on the size and nature of the agencies. BAWSCA's existing policy adopted in 2004 has a limit of \$10,000. Many of the comparison agencies have higher numbers of employees and may have large expenses for equipment and supplies. By comparison, the "equipment" that BAWSCA must be able to access is consultants. Considering those needs helped determine the recommended discretionary spending limit.

Mr. Jensen reported his use of discretionary spending authority in FY10-11 was to amend or enter into consultant contracts. A summary was presented.

The KNN contract amendment demonstrated a problem that could be avoided by amending the existing policy. When the SFPUC was in the process of setting wholesale water rates last Spring, KNN, BAWSCA's financial advisor, reviewed the SFPUC's projected revenue needs and found that adjustments were needed. KNN's continued assistance was necessary. The CEO authorized an amendment to KNN's contract of \$4,000, the limit of his discretionary spending authority; 10% of the contract amount. The total estimate for KNN's support through the end of that fiscal year was \$15,000. Board authorization was sought and was received for the additional \$11,000 needed.

The process was awkward, but was necessary to accomplish what needed to be done in the best interest of the member agencies.

The recommended increase in discretionary spending from \$10,000 to \$25,000, would provide the CEO the latitude to respond to reasonable needs in a timely manner.

Alternatives to the recommendation are to make no change, or to make a greater or smaller change.

In response to Director Pierce, Mr. Jensen stated that in the future, the use of the discretionary spending authority will be reported in the bi-monthly budget report provided to the Board through the Board agenda packet.

Director Breault supported the change and this method of reporting. Director Breault noted that the Policy's Section VI requires an annual adjustment of the limit based on the Cost of Living Index that may create unnecessary accounting work. Mr. Jensen concurred and said that if that had been done since 2004, the change would amount to less than \$2000. Director Breault suggested Section VI be removed from the proposed policy.

In response to a question, Mr. Jensen said the revised policy would continue to contain the percentage limitation: the revised policy would include a spending limit of \$25,000, or ten percent of the original contract amount, whichever is less.

Director Breault made a motion, seconded by Director O'Connell, to recommend that the Board adopt the resolution revising the Procurement Policy to:

1. Increase the CEO's discretionary spending authority to \$25,000 for purchases of equipment and supplies and services, while retaining the existing limit of \$10,000 for construction expenses;
2. Increase the limits for formal solicitation of bids for purchases of equipment and supplies;
3. Remove Section VI, Adjustment of Amounts.

The motion carried unanimously.

5. **Discussion item:** Mr. Jensen reported that Sharyn Saslafsky, who serves as SFPUC's official BAWSCA Liaison, has announced her retirement. Ms. Saslafsky regularly attends BAWSCA's Board and Policy Committee meetings and contributes substantially to the effective communications between the SFPUC and BAWSCA.

Long-Term Reliable Water Supply Strategy – Policy Issues: Ms. Sandkulla reported the Strategy's progress to date, and the upcoming policy decisions upon which the Board will be asked to act.

Ms. Sandkulla noted that the Strategy is being done under the auspice of the Board and consistent with the authorities granted to BAWSCA by the legislation that enabled BAWSCA's formation.

As intended, the Strategy has sought practical solutions to the problem of how much water is needed when and where, in both normal years and dry years. The Strategy has identified specific water supply projects for possible implementation. The professional services contract with CDM in completing Phase IIA of the Strategy is approximately 40% complete.

The current decrease in water use, and decrease in projected water needs, was recognized last Spring as a changed condition that required a reassessment of the scope and schedule of the Strategy.

The Strategy was originally based on the agencies' 2004-05 water demand projections used in the development of the Program Environmental Impact Report for the SFPUC's Water System Improvement Program (WSIP). The agencies' projections for additional water supply needs and a greater desire for drought reliability, as well as the long-lead times needed to complete projects drove the aggressive timeline for the Strategy.

The Strategy was authorized by the Board in July 2010. Shortly thereafter, agencies had to update their water demand projections by June 2011 in compliance with the Urban Water Management Planning Act. Early indications of lower water projections lead to a decision to reassess the amount and timing of water supply needs based on the updated Urban Water Management Plans (UWMPs) from the agencies. As of September, new information is now available for an informed revision to the scope and schedule of the Strategy.

Ms. Sandkulla reported that the total projected demand in the year 2035 has dropped from 343 mgd to 315 mgd, a difference of 28 mgd. Taking into account existing and anticipated water supplies as well as water conservation, the need for additional normal year supplies in 2035 has dropped from a range of 14 to 23 mgd to a range of 4 to 13 mgd. The low end of the range is

the amount needed to be developed if San Francisco elects to meet the future needs of San Jose and Santa Clara. The high end of the range is the amount needed if San Francisco elects not to meet the future needs of those two cities.

There are three agencies that need additional normal year supply in the near-term. They are Daly City, East Palo Alto, and Purissima Hills Water District. All three agencies have a combined need of an additional 3 mgd by 2015.

There are four more agencies that need additional normal year supply by 2035. They are Cal Water, Stanford, San Jose and Santa Clara. All seven agencies have a combined projected need of 4 to 13 mgd. Again, the need for 13 mgd results if San Francisco elects not to provide a permanent future supply to Santa Clara and San Jose.

Ms. Sandkulla stated that the current projections demonstrate no immediate need for a regional investment for additional normal year water supply. However, because water need projections are influenced by uncertainty in factors such as population growth, economic conditions, and conservation savings, there are risks to deferring developing new supplies. She stated it would be prudent to do a region-wide reassessment of the water demand projections within the next five years beginning next year. Doing so would provide the following benefits: 1) projections adjusted by changes in the factors introducing the greatest uncertainty, 2) consistency in projection methodology, 3) defensible water demand projections that would be robust enough to supporting regional investments in water supply reliability and 4) support the agencies' development of their UWMP updates which will be due in 2015.

BAWSCA member agencies continue to desire increased drought reliability. The supply need during drought years represents how much water agencies would need if they were to entirely eliminate deficiencies in the water supply received from San Francisco.

The projections made in 2005 showed a drought deficiency of 77 mgd in the year 2035. The current projections show a drought deficiency of 58 mgd in 2035.

The SFPUC's goal for drought reliability is no more than 20 percent deficiencies system-wide in any drought year. During the development of the SFPUC's goal, BAWSCA advocated that the goal should be for deficiencies of no more than 10 percent during drought years to avoid costly economic impacts.

Reducing drought deficiencies to zero is probably not practically or politically attainable. Even if new drought supplies were created to cut the currently projected deficiency of 58 mgd in half, reflecting a 10 percent system-wide reduction, the service area would still need to invest in a drought supply up to 29 mgd, which is still a significant amount.

Ms. Sandkulla stated that more information is needed about both dry year risks and the costs of possible solutions.

BAWSCA is working with San Francisco's staff to answer two of the questions: Under the reduced projections of future water demand, what future level of drought shortage can be expected? How frequently would such drought conditions occur? The results from these analyses are expected shortly.

BAWSCA is also looking at the potential economic impact of water supply shortages, and at what level of investment might make sense to create additional supply reliability. Ms. Sandkulla stated that information will be available at a later time.



Unlike normal year supplies, there is a shorter timeline for securing access to certain dry year supplies because available supplies and conveyance opportunities may be seized by other agencies. BAWSCA will determine critical timelines, what decisions are needed and the potential consequences of not moving forward.

Through its review of possible water supply projects, BAWSCA identified over 65 water projects in the Phase 1 Scoping Report, reviewed project information with individual agencies, and completed preliminary technical evaluations. The result of the analysis is a shortlist of potentially feasible projects which include expansion of recycled water projects, water transfers from outside the service area, desalination, rainwater harvesting, stormwater capture, and graywater reuse.

Ms. Sandkulla presented a preliminary list of policy decisions that the Board will need to consider next Spring. The Board's decisions will lead to formal modification of the scope and schedule for the balance of Phase II of the strategy. Some activities may affect the Work Plan and Operating Budget for FY 2012-13.

The Board will also be asked to consider a recommendation for next year's Work Plan to collaborate with the member agencies to develop and implement a common method for developing updated agency water demand projections. The result would be useful for all agencies, serve as a sound basis for regional water supply planning and local planning, and support BAWSCA's continued examination of pursuing additional dry year supplies.

In response to Director Breault's question, Ms. Sandkulla stated that there are seven agencies that have a need for additional supplies in normal years, and all but one agency has a need for additional supplies in drought years. Director Breault commented that the need by one third of the agencies as opposed to all agencies may prevent the Board to move forward in providing assistance to find additional supply during normal years. Ms. Sandkulla stated that the recommendation would probably be to not pursue regional investments in normal year supplies. If BAWSCA could add value to those agencies that need to pursue normal year supplies, and those agencies desired BAWSCA's assistance, alternatives for allocating the costs of such assistance would be presented to the Board for its consideration.

Director O'Connell asked whether BAWSCA is looking at projects that can help the agencies in need as well as the membership as a whole, if necessary. Ms. Sandkulla said yes, and explained that for projects such as brackish groundwater desalination, some information is available about how the project could provide both dry year and normal year benefits. The Committee discussed the possibilities and implications of interagency cooperation to address regional housing allocations and local water supply availability. One question was whether it would be possible for an agency to take on a portion of another agency's housing allocation in exchange for a portion of that agency's unused contractual water supply guarantee. Mr. Jensen noted that nothing prevented willing parties to enter such agreements, but that there may or may not be a shared interest in solving housing allocation problems, and that BAWSCA's possible role in such arrangements was unclear at this time. Initially, BAWSCA would need to determine whether there are actions BAWSCA could take that would be beneficial for the region as a whole.

Ms. Sandkulla noted that the idea of having updated information has helped moved things along as far as looking at what partnerships are possible.

A refined list of policy decisions will be presented to the Board in November. A report to the Board in January will include a schedule for policy decisions in context of the FY 2012-13 Work Plan and Operating Budget. Modifications to the Strategy's scope and schedule will be discussed with the Board in March and May.

Director Pierce asked if the cities served by water districts are forthcoming with information on their housing and employment planning. Ms. Sandkulla stated that cities, water districts and water companies are required by law to collaborate in the development of Urban Water Management Plans. Although the degree and nature of collaboration varies from jurisdiction to jurisdiction, it has improved significantly over the years.

Chair Klein asked whether the graph presenting the water supply needs during normal years overstates the problem, because some agencies may have contractual rights to water that they could make available to agencies that need more water. Mr. Jensen said that such arrangements could occur, that the graph did not assume such arrangements would necessarily occur, and that the graph should be modified to avoid confusion about those points.

Director Guzzetta pursued this concept and asked if this inter-agency transfers are being looked at in the study. Ms. Sandkulla stated that the information provided by the study helps identify which agencies have water they may be willing to sell and which agencies have a need for water and may be in the market for such transfers. The study has not assumed that BAWSCA necessarily has a role in developing transfers between agencies.

Mr. Jensen explained that the effort should not assume such transfers would occur or put pressure on agencies to give up a portion of their supply guarantees.

Director Breault appreciated BAWSCA's sensitivities to putting pressure on the agencies and noted that agencies that have or do not have sufficient supply are aware of it, and that transfers require the willingness of agencies to come to the table for discussion. He observed that the market for inter-agency transfers is still in a state of flux.

Mr. Jensen appreciated the discussion and thanked the Committee members for their input.

SFPUC Water System Improvement Program – Status Report: Mr. Jensen reported that BAWSCA made several recommendations to the Commission at its July 12<sup>th</sup> hearing to adopt proposed changes to the WSIP. The Commission incorporated BAWSCA's recommendations into the resolution it adopted that day. One of BAWSCA's recommendations was for the SFPUC staff to provide a report on how the SFPUC would achieve the Level of Service (LOS) goals for water supply and supply reliability. A staff report was provided to the Commission on September 9<sup>th</sup>. BAWSCA is currently analyzing that report.

At a meeting in August, the Commission discussed water related issues, including potential water supply shortfalls, potential projects for addressing the shortfalls, priorities for meeting the needs of the Wholesale Customers, and SFPUC's future regional role.

The SFPUC anticipates that water supply shortfalls might occur for a variety of reasons. The list of known or possible shortfalls includes: 1) predicted 2 mgd shortfall noted in the final PEIR for the Water System Improvement Program; 2) project permits that require 7.4 mgd of additional reservoir releases to maintain fisheries downstream from Lower Crystal Springs Dam and Calaveras Dam; 3) uncertainty in whether the SFPUC will be able to implement all of its planned water supply projects inside San Francisco, which could result in shortfalls of up to

11.8 mgd; 4) and the possibility that the SFPUC might need to contribute to flows that the Federal Energy Regulatory Commission (FERC) may require downstream from New Don Pedro Reservoir on the Tuolumne River.

In addition, the SFPUC must make a decision by 2018 on whether it will meet the long-term water supply needs of San Jose and Santa Clara of up to 9 mgd. Also in 2018, the SFPUC must decide whether it will meet any of the increased needs of Wholesale Customers and whether, in doing so, it will increase the Supply Assurance above 184 mgd.

To meet its water supply reliability level-of-service (LOS) goals, the SFPUC has been trying to develop a groundwater conjunctive use project that involves San Francisco, Daly City, San Bruno and Cal Water. The project would provide a regional benefit of providing dry year water supply which BAWSCA members are paying for. San Francisco is also looking at water transfers with irrigation districts, recycled water inside and outside San Francisco, and local and regional desalination.

BAWSCA will complete its review of the report and share any issues of substance with the Board. BAWSCA will continue to meet with SFPUC staff and management, and ensure that the provisions of the Water Supply Agreement are followed. Mr. Jensen noted that the LOS goals for the WSIP are incorporated in the Water Supply Agreement.

BAWSCA will continue to insist that water supply LOS goals should be explicitly addressed. Mr. Jensen reported that BAWSCA was concerned when San Francisco decided that the need to release additional water downstream was not an issue because of the recent down-turn in water demand. Mr. Jensen noted that had BAWSCA simply been indifferent, there would be no clarity in what goals the SFPUC was going to meet and what actions it would take to achieve them.

The report states that staff will come back to the Commission in January 2012 with further report on how it will meet the LOS goals. BAWSCA will continue to track and comment on the SFPUC's progress.

Federal Energy Regulatory Commission (FERC) Process – Update: Mr. Jensen explained that the Modesto and Turlock Irrigation Districts jointly own and operate the New Don Pedro Reservoir which is licensed by FERC. The existing 50-year license will expire in 2016 and the process for scoping studies for the environmental analyses has already begun. FERC can require changes to releases below the dam in order to support fish populations.

Due to prior agreements between San Francisco and the irrigation districts, San Francisco may have responsibilities for a portion of any increase flows required by FERC. Increased flow could impact the reliability of water supplies for San Francisco and its wholesale customers.

BAWSCA, through Hanson Bridgett, is actively engaged in the relicensing process by monitoring the scoping meetings, reviewing documents, providing comments on the scope of investigations and other matters.

No Board action is needed at this time. Staff will continue to monitor the activities and bring forward to the Board Policy Committee and the Board any policy issues that may need to be addressed.

Landscape Education Program: Ms. Sandkulla reported that BAWSCA's Fall 2011 Landscape Education Program received positive media attention in the San Jose Mercury News and Union

City Patch. Ten more classes are scheduled for this season, and a report to the Board in November will be timely.

A total of 19 classroom lectures and 7 hands-on workshops are scheduled this season. Both formats have been well-attended with a high attendance average of 32 people.

Three of the hands-on workshops created a demonstration garden in the community of the host agencies. The City of Palo Alto hosted a Parent/Child CA. Native workshop on September 24<sup>th</sup> where more than 20 children attended with their parents. BAWSCA and Palo Alto collaborated with the City's Green Team, Acterra and BayFriendly.org.

The City of Sunnyvale hosted two hands-on workshops that also created a demonstration garden in front of City Hall. The workshops targeted adult participation and focused on the hands-on experience so that participants can come away with the knowledge and confidence of implementing the process in their own spaces.

The program is part of BAWSCA's core conservation plan. It has been primarily managed by Lourdes Enriquez, as part of the agency's reallocation of resources to achieve results included in the fiscal year's work plan.

Board Policy Calendar: Mr. Jensen reported that the November Board agenda will include the Board's discussion of the water supply strategy and the Board's action on the procurement policy. The CEO's performance evaluation will also be on the agenda.

Discussion of the preliminary Work Plan for FY 2012-13, and modifications to the scope and schedule of the Strategy will be on the March Board Agenda.

Comments by Committee Members: Director Anderson announced that the Los Altos History Museum is currently running its water exhibit until April 2012. Several water districts contributed to the effort. A public opening ceremony is scheduled for October 15<sup>th</sup>.

Adjournment: The meeting was adjourned at 2:45pm.

Respectfully submitted,

Arthur R. Jensen, Chief Executive Officer and Secretary

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
Board Policy Committee  
October 12, 2011**

**Attendance Roster**

**Committee Members Present:**

Larry Klein	City of Palo Alto (Chair)
Rob Guzzetta	California Water Service Company (Vice Chair)
Ruben Abrica	City of East Palo Alto
Robert Anderson	Purissima Hills Water District
Randy Breault	City of Brisbane/GVMID
Irene O'Connell	City of San Bruno
Tom Piccolotti	North Coast County Water District
Barbara Pierce	City of Redwood City

**Committee Members Absent:**

Bill Quirk	City of Hayward
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**BAWSCA Staff Members Present:**

Arthur Jensen	Chief Executive Officer
Nicole Sandkulla	Water Resources Planning Manager
Lourdes Enriquez	Assistant to the CEO
Allison Schutte	Legal Counsel, Hanson Bridget, LLP.

**Guests:**

Peter Drekmeier	Tuolumne River Trust
Sharyn Saslafsky	San Francisco Public Utilities Commission
Nico Procos	City of Palo Alto
Craig Von Bargen	Camp Dresser McKee

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**        **Mid-Year 2011-12 Work Plan and Budget Review**

**Summary:**

To ensure continued access to reliable supplies of high quality water at a fair price, four issues require serious attention during the second half of this fiscal year. The resources to address these issues and produce the necessary results can be provided within the originally approved Operating Budget for FY 2011-12.

This memorandum presents: 1) the proposed changes to the annual Work Plan, 2) the proposed reallocation of funds within the existing budget, and 3) the projected balance of the General Reserve.

**Fiscal Impact:**

Based on the mid-year review, anticipated work can be completed within the approved budget, provided the proposed budget reallocations are approved by the Board. A total of ~~\$215,000~~ **\$165,000** would be reallocated within the existing budget, including the use of \$30,000 (40%) of the contingency budget.

**Recommended Committee Actions:**

That the Committee recommends Board approval of the four adjustments to the Work Plan and four adjustments to the Operating Budget:

1. Approve the following revisions to the FY2011-12 Work Plan:
  - a. Prepare scope and schedule changes for the Long-Term Reliable Water Supply Strategy, and present them to the Board the Spring 2012.
  - b. Acknowledge the termination of the original contract for as-needed technical engineering reviews of WSIP design and technical documents because the needs are much smaller than could be envisioned at the time the budget was prepared.
  - c. Take actions needed to protect the reliability provided by water storage reservoirs in the regional water system.
  - d. Respond to agency requests for added value by making data in the water conservation data base easier to retrieve for a variety of agency reporting purposes.
2. Approve the reallocation funds and authorize the CEO to take the actions specified below:
  - a. To support the proposed revisions to the Work Plan, reallocate the following funds: \$135,000 from as-needed technical engineering support, \$50,000 from the administration budget, and \$30,000 from the contingency budget.
  - b. Authorize the CEO to amend the existing contract with Mr. Terry Roberts to add \$15,000 for additional investigations of WSIP program and construction management for a revised contract total of \$135,000.
  - c. Authorize the CEO to execute a contract with an as-yet unidentified consultant for engineering review of WSIP design and technical documents for an amount not to exceed \$25,000.
  - d. Authorize the CEO to amend the existing contract for Strategic Counsel by ~~\$100,000~~ **\$50,000** to assist the CEO and legal counsel with activities to protect the water supply reliability provided by Hetch Hetchy Reservoir, for a revised total contract amount of ~~\$250,000~~ **\$200,000**.
  - e. Authorize the CEO to amend the existing contract with Brown and Caldwell to add \$75,000 for a revised total contract amount of \$125,000 to develop improved reports of data in the Water Conservation Data Base and provide on-call technical support.

**Discussion:**

In conducting the mid-year review, changes to the entire Work Plan were examined, regardless of whether the work is funded as part of the Operating Budget or as part of the Long-Term Reliable Water Supply Strategy. This comprehensive view enabled an accurate assessment of resources and the availability of staff to complete the work envisioned for the balance of the year.

Overall Status of Results to be Achieved During FY2011-12. All of the work in the approved Work Plan is on schedule as of December 1, 2011. Some activities have and will continue to require fewer resources than originally estimated at the time the budget was prepared. Other challenges have and are expected to require more resources than originally estimated.

Areas requiring additional resources include participation in the FERC relicensing of New Don Pedro Reservoir, taking appropriate actions to protect the interests of the Wholesale Customers in the face of activities that might lead to draining Hetch Hetchy Reservoir and replacing the storage with as-yet unknown facilities, agreements and water supply impacts.

Work Plan Modifications and Proposed Budget Revisions. The Work Plan for FY 2011-12, adopted in May 2011, was presented in a table that identified the results needing to be achieved during the year. A second table listed activities not covered by the proposed budget.

Table 1, at the end of this memorandum, presents the Board-approved Work Plan of results to be achieved during FY2011-12. Proposed revisions to the Work Plan are highlighted. Explanations for the changes and budget reallocations appear below.

1. Modify the scope and schedule for the Long-Term Reliable Water Supply Strategy. Following this year's review of water demand projections as recommended and accepted by the Board in the Spring of 2011, staff committed to prepare scope and schedule changes and present them to the Board in the Spring of 2012. This work can be completed within the original budget and within the originally approved Water Management Charge levied and collected from member agencies.
2. Reallocate focus and resources in monitoring and acting to ensure the SFPUC's Water System Improvement Program is completed on schedule and within budget. The approved Work Plan included ongoing monitoring of the WSIP and taking actions needed to ensure the program is completed on schedule and budget. The approved budget contained \$135,000 for technical engineering support, and \$120,000 for project and program management monitoring and investigations. This year the WSIP requires far less technical engineering review of designs and technical documents, and greater effort spent on investigating construction performance and management. This shift in work load is reflected in the suspension of the technical review contract prior to any work being performed, and in the intense management review reported to the Board at its November Board meeting. The rate of WSIP expenditures this year has made it imperative that we perform the in-depth investigations of budgets, schedules, uses of contingencies and management procedures. These investigations require time to review and understand SFPUC reports, identify problems, understand trends, and produce useful recommendations. The proposed budget for technical engineering review is reduced by \$110,000, from \$135,000 to \$25,000. The proposed budget for management review is increased by \$15,000, from \$120,000 to \$135,000.
3. Take actions needed to protect the reliability provided by water storage reservoirs in the Regional Water System. Assess risks associated with efforts to drain Hetch Hetchy Reservoir and take actions needed to protect the interests of the water customers. While this threat was recognized in the preparation of the FY2011-12 Work Plan, it was not then clear that the proponents of draining Hetch Hetchy intended to place a measure before San Francisco voters in November 2012. Their intent is



now clear. Serious work has begun to protect the interests of the water customers. BAWSCA's overall position has not changed. The required legal support can continue to be provided within legal counsel's existing contract amount. A net increase in time required for strategic support will require an amendment to the contract with Bud Wendell. The last major effort of this nature required an additional \$200,000 of strategic support. At this time an increase of ~~\$400,000~~ **\$50,000** is proposed, for a total as-needed contract amount of ~~\$250,000~~ **\$200,000**.

4. Provide agencies greater flexibility to retrieve data from the Water Conservation Data Base. Continue providing outside support of the data base and respond to agency requests for added value by making data in the water conservation data base easier to retrieve for a variety of agency reporting purposes.

In FY 2010-11, BAWSCA developed and launched the Water Conservation Data Base, an online tool used by BAWSCA and all the member agencies to maintain water use and water conservation data. The approved Work Plan and budget included \$50,000 for member agency training, on-call technical support and implementation of a few critical improvements identified last year. To date, expenditures have been greater than planned, and 65% of the budget has been used through October. Additional funding is needed for continued outside technical support at a modest level for the balance of the year. BAWSCA staff does not have the technical expertise to provide the technical support or make modifications to the data base.

An additional modification has been requested by agency and BAWSCA staff. When the data base was first developed, initial expenditures were limited to providing basic reports until the needs of the agencies were clear. One year later, it is clear that additional standard reports would further increase the value of the data base to the member agencies. For these reasons, it is proposed that \$75,000 be added to the existing contract with Brown and Caldwell for a total value of \$125,000 to provide added resources for on-call technical support and improved data reporting.

As always, if further, 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.

#### **Sources of Funds:**

The proposed new uses of funds, totals ~~\$245,000~~ **\$165,000**. Funding is available within the approved budget from the following sources: as-needed technical engineering support in the amount of \$135,000, ~~the administration budget in the amount of \$50,000, for a total of \$185,000. An~~ **and an** additional \$30,000 can be reallocated from the contingency budget, for a total of ~~\$245,000~~ **\$165,000**.

The as-needed technical engineering requirements were estimated last year at \$135,000. That money has not yet been spent, and is available to be reallocated. At this time we estimate only \$25,000 will be needed for technical engineering support.

~~The administration expenditures to date are below budget for several reasons. The budget included a full year's salary for Ms. Anona Dutton. Her maternity leave extends through February, and salary savings during the unpaid portion of her leave will amount to approximately \$40,000. Lower expenditures in other operating areas will produce an additional \$10,000 in estimated savings.~~

The balance of the proposed work can be funded by allocating 40% of the contingency budget to these purposes. The remaining contingency budget would be \$47,500.

**Work Plan Alternatives Considered:**

Alternatives to the proposed Work Plan adjustments, and their advantages and disadvantages, are as follows:

- a. Reallocate focus and resources in monitoring and acting to ensure the SFPUC's Water System Improvement Program is completed on schedule and within budget. One alternative to investigating project status and construction management is to limit the investigations being performed on the \$4.6 billion WSIP to what can be achieved within the existing budget for outside support of \$120,000. The rate of WSIP expenditures this year has made it imperative that we perform the in-depth investigations of budgets, schedules, uses of contingencies and management procedures. Limiting BAWSCA's review at this time reduces BAWSCA's ability to anticipate problems and make recommendations to the SFPUC in a timely manner and protect the interests of BAWSCA's member agencies and their customers.

A second alternative is to return to the Board at a later date if funds are expended. Deferring the reallocation of funds within the existing approved budget hampers the ability to respond to issues as they arise.

Only a limited amount of technical engineering support is requested. An alternative is to not approve the work. The estimated amount of as-needed technical engineering support has been reduced from \$135,000 to \$25,000. Not approving this reallocation of resources would prevent technical review and comments on the following three critical projects: the Peninsula Pipeline Project, the Groundwater Conjunctive Use Project, and Harry Tracy Water Treatment Plant Improvement Project. The benefits of BAWSCA's technical reviews have been evident in the final plans and designs for the Sunol Valley improvements, Bay Division Pipeline cross-overs and other projects.

- b. Take actions needed to protect the reliability provided by water storage reservoirs in the regional water system.

One alternative is to allow San Francisco to address this issue alone. Currently, a San Francisco-based group expects to define the policy issues and entrust the policy decisions to voters and elected or appointed officials in San Francisco. It is imperative that BAWSCA work to protect the collective interests of customers outside San Francisco, whether those interests align with San Francisco or not.

A second alternative is to work with San Francisco but without the benefit of support from strategic counsel. The proponents of draining Hetch Hetchy have the support of a national law firm and strategic political and public communications advisors. Groups in San Francisco on both sides of the issue have engaged political or strategic advisors to assist them in preparing to address this issue. Depending on which course or courses of action need to be taken, the CEO and legal counsel will need to have strategic support to achieve the desired results.

- c. Provide agencies greater flexibility to retrieve data from the Water Conservation Data Base.

One alternative is to postpone or stage the data base modifications. A meeting is being held with agency staff on December 15 to prioritize the modifications that will be most critical for BAWSCA and the member agencies. If that discussion identifies opportunities to stage the improvements, that alternative will be presented to the Board in January.

**Funding Alternatives Considered:**

Funding alternatives are limited.

If the Board agrees the proposed work is worth doing, the reallocation of the budget for as-needed technical engineering support is practical because the original funds will not be spent and can be used without impacting other parts the Work Plan or budget.

The remainder of the needed funds could all be taken from the contingency budget without impacting the administration budget.

**Projected Year-End Spending and General Reserve Balance as of July 1, 2012**

With the proposed reallocation of funds, the best estimate of year-end spending at this time is that approximately ~~95%~~ **93%** of the budget will be used by the end of the fiscal year.

**The administration expenditures to date are below budget for several reasons. The budget included a full year's salary for Ms. Anona Dutton. Her maternity leave extends through February, and salary savings during the unpaid portion of her leave will amount to approximately \$40,000. Lower expenditures in other operating areas will produce an additional \$10,000 in estimated savings.**

This estimate cannot be made exact. The "mid-year" assessment necessarily relies on accounting information from July through September plus partial information for October. In addition, there are inherent uncertainties in much of the work being undertaken or proposed, particularly in the areas of WSIP investigations, FERC, and protecting system storage. There is a clear need for outside support to perform this work, and BAWSCA only pays for work actually needed.

Using the current estimate, the unspent funds at year-end would be approximately ~~\$130,000~~ **\$180,000**. Adding that amount to the current General Reserve Balance would create an estimated July 2012 General Reserve balance of ~~\$611,573~~ **\$1,096,897**:

\$653,763	General Reserve balance as of June 30, 2011
+435,324	Unspent budget form FY 2010/11 to be deposited in General Reserve
\$1,089,087	General Reserve balance following deposit
-172,190	Refund to agencies in November 2011
\$916, 897	General Reserve balance as of December 1, 2011
<del>\$130,000</del> <b><u>\$180,000</u></b>	Estimated unspent budget as of June 30, 2012
<del>-\$1,046,897</del> <b><u>\$1,096,897</u></b>	Estimated General Reserve balance as of July 2012

If next fiscal year's Operating Budget were identical to this year's Operating Budget, the estimated General Reserve as of July 2012 would be equivalent to 40% **42%** of the FY2012-13 Operating Budget, and would exceed the 35% guideline adopted by the Board in September. The same alternatives could be explored for managing the General Reserve balance: **reduce assessments, refund excess, retain to meet vital needs.**

This analysis is instructive because it highlights a potential problem. However, the estimate of ~~\$130,000~~ **\$180,000** of unspent budget equates to 5% **less than 7%** of the Operating Budget, and at this time it is not possible to estimate next year's budget within 5% **7%**.

It is recommend that further analysis and discussion of the General Reserve balance take place in the Spring of 2012 during development of the FY 2012/13 Work Plan and budget.

**Table 1. Results to be Achieved in FY 2011-12**

Highlighting indicates a proposed change from the Work Plan approved by the Board on May 19, 2011

**RELIABLE SUPPLY -- WATER SUPPLY MANAGEMENT PROGRAM**

**1. Long-Term Supply Solutions: Reliable Water Supply Strategy**

Work toward completion of Phase II A of the Long-Term Reliable Water Supply Strategy by January 31, 2013 to provide reliable supplies of water when and where needed through the year 2035, including review and compilation of projected population and water demands from member agency Urban Water Management Plans. Following review of water demand projections, prepare scope and schedule changes for the Long-Term Reliable Water Supply Strategy, and present them to the Board in the Spring 2012.

**2. Near-term Supply Solutions: Water Conservation**

- a. Implement Core Water Conservation Programs - Programs that benefit all customers. Provide the ability for agencies to retrieve data from the Water Conservation Data Base to make the information available for a variety of agency reporting purposes.
- b. Implement Subscription Water Conservation Programs - Rebate and other programs that benefit, and are paid for by, agencies that subscribe for these services.

**3. Facility Reliability: Monitor SFPUC Water System Improvement Program**

Monitor scope, cost and schedule as San Francisco continues an aggressive construction schedule through 2015. Press the SFPUC and the city's political leadership to meet the city's adopted schedule, satisfy the requirements of AB 1823 and respond promptly to BAWSCA's reasonable requests. Consistent with the current nature of SFPUC work, reallocate resources from technical review to monitoring project and program performance during construction.

**4. Protect Members' Water Supply Interests in FERC Re-licensing of New Don Pedro Reservoir**

Ensure resources for legal and technical monitoring and intervention are sufficient to protect the customers' long-term interests in Tuolumne River water supplies.

**5. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement**

Compile and submit water purchase projections to SFPUC as required by Water Supply Agreement.

**6. Pursue Grant Opportunities Independently and in Coordination with Regional Efforts**

**7. Ensure Sufficient Storage is Provided by the Regional Water System**

Assess risks associated with efforts to drain Hetch Hetchy Reservoir and take actions needed to protect the interests of the water customers.

**FAIR PRICE**

**7. Administer the 1984 Contract**

Complete close-out of the 1984 contract with San Francisco to protect interests of members and their customers in a fair price for water purchased from San Francisco.

**8. Perform Matters that Members Delegated to BAWSCA in the Water Supply Agreement**

Administer the Water Supply Agreement with San Francisco to protect interests of members and their customers in a fair price for water purchased from San Francisco.

**HIGH QUALITY WATER**

**9. Support Member Agencies in Receiving Reliable Communication of Water Quality Events**

Coordinate member agency participation in Water Quality Committee established by the 2009 Water Supply Agreement to ensure it addresses Wholesale Customer needs.

**AGENCY EFFECTIVENESS:**

**10. Maintain Community Allies and Contacts with Environmental Interests**

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. Respond to requests from local legislators. Maintain a dialogue with responsible environmental and other groups, who will participate in the project permitting and approval process for rebuilding the system.

**11. Manage the activities of the agency professionally and efficiently**

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**        **Fiscal Year 2012-12 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 next fiscal year and between now and 2015, 2020 and 2035. This long-term perspective helps anticipate and identify the results that must be achieved during FY2012-13.

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.

A similar presentation will be provided to the Board of Directors at the January meeting, in preparation for budget discussions later this Spring.

A preliminary list of challenges appears in Table 1. Some of the challenges may affect BAWSCA or its members directly. Other challenges will have indirect, but nonetheless important consequences, and require action by BAWSCA to protect the interests of BAWSCA, its member agencies and their customers.

Some of the items listed are not locked to a specific year. While the schedules for those items may be shifted forward or backward, the changes should not be made arbitrarily.

**Recommendation:**

This list of challenges will be discussed with the Board Policy Committee to clarify issues and receive their advice prior to Work Plan and budget development.

**Table 1. Future Challenges Facing BAWSCA, Member Agencies and Their Customers**

<b>Year or Period</b>	<b>Major Challenges or Issues</b>
FY2012-13	<ul style="list-style-type: none"> <li>• SFPUC relationships: Transition to new SFPUC General Manager, the possibility of changes in Commissioners and building a relationship with the new Mayor of San Francisco.</li> <li>• Decisions on specific projects to pursue to implement the Long-Term Reliable Water Supply Strategy.</li> <li>• Develop a uniform method for projecting member agency water demands and SFPUC purchases to support long-term planning.</li> <li>• Amendment of the Water Supply Agreement with San Francisco to revise the completion date for the WSIP.</li> <li>• BAWSCA should pursue amendment of the Tier 1 drought allocation formula with San Francisco.</li> <li>• Consider recommendations from review of whether Wholesale Customers would benefit from issuing bonds to retire capital debt they owe to San Francisco.</li> <li>• Proponents of draining Hetch Hetchy Reservoir intend to ask SF voters to require SFPUC to prepare a plan to do so.</li> </ul>
2013 to 2015	<ul style="list-style-type: none"> <li>• Completion development of BAWSCA's Long-Term Reliable Water Supply Strategy.</li> <li>• Extension of sunset provision in AB1823, the Wholesale Regional Water System Security and Reliability Act, prior to completion of the WSIP before December 2015.</li> <li>• Federal relicensing of New Don Pedro and possible impacts on SFPUC supplies (2015-16).</li> <li>• Additional drought protection should be brought on line to serve BAWSCA member agencies.</li> <li>• New water supplies to meet future needs must be brought on line for agencies requiring additional water.</li> <li>• Proponents of draining Hetch Hetchy intend to amend SF Charter to require action.</li> <li>• San Francisco elects Mayor in 2015.</li> </ul>
2016 to 2020	<ul style="list-style-type: none"> <li>• San Francisco to make decisions on whether or not to make San Jose and Santa Clara permanent Wholesale Customers by 2018.</li> <li>• San Francisco to decide whether to provide more than 184 mgd to Wholesale Customers and whether or not to increase the perpetual Supply Assurance by 2018.</li> <li>• The Tier 2 drought allocation formula among BAWSCA member agencies expires and an extension or replacement must be negotiated by the end of 2018.</li> <li>• San Francisco elects Mayor in 2019.</li> </ul>
2021 to 2035	<ul style="list-style-type: none"> <li>• New water supplies to meet future needs must be brought on line for agencies requiring additional water.</li> <li>• Water Supply Agreement expires and must be extended or renegotiated.</li> <li>• San Francisco elects Mayor (2024, 2029, 2034).</li> </ul>



**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Item Title: Amendment to Policies and Procedures for the Purchase of Equipment and Supplies/Award of Contracts**

**Summary:**

This item was originally considered by the Board Policy Committee in October 2011. The matter needed to be re-examined to ensure the revised policy would adequately address all problems.

Under the Board's Procurement Policy, originally adopted in 2004, the CEO's discretionary spending authority is limited to \$10,000. In order to ensure BAWSCA's CEO has appropriate authority to achieve results in a timely manner, an increase in the CEO's discretionary spending authority is proposed. In addition, the limits requiring formal solicitation of bids for the purchase of equipment and supplies have also been increased.

**Fiscal Impact:**

The recommended changes have no impact on the budget.

**Recommendation:**

The Board Policy Committee recommends the Board of Directors adopt the proposed resolution revising the Procurement Policy to:

- 1) Increase the CEO's discretionary spending authority to \$25,000 for purchases of equipment and supplies and services, while retaining the existing limit of \$10,000 for construction expenses.
- 2) Limit the CEO/General Manager's authority to approve change orders and amendments \$25,000.
- 3) Require the CEO/General Manager to report all change orders and amendments to the Board.
- 4) Increase the limits for formal solicitation of bids for purchases of equipment and supplies.

**Discussion:**

The revised policy presented in October continued to have a limitation on contract amendments of 10%. That limitation would prevent prompt action of the sort needed in the example presented at the October Committee meeting. Legal Counsel performed additional research and provided an updated recommendation that addresses this issue.

The Board's Procurement Policy, originally adopted in 2004, limits the CEO's discretionary spending authority to \$10,000. At that time, \$10,000 was a suitable amount. However, seven years later, that amount is no longer appropriate to allow the CEO the flexibility necessary to achieve results in a timely manner. The recommended amount is consistent with other Bay Area public entities, as shown in the attached memo from Hanson Bridgett. It is recommended that the increase in discretionary spending be increased to \$25,000 for purchases of equipment and

supplies and services. It is also recommended to increase the limit required for solicitation of equipment and supplies. The limit of \$10,000 for construction expenses would not change.

**Attachments:**

1. Legal Counsel supporting memo, dated December 7, 2011.
2. The Procurement Policy containing proposed adjustments in strike and bold format.
3. A clean copy of the Policy and a resolution for adopting it.

## Memorandum

**TO:** Art Jensen, CEO/General Manager  
BAWSCA

**FILE NO.:** 7843.1

**FROM:** Allison Schutte  
Julie Sherman

**DATE:** December 7, 2011

**RE:** **Amendments to Policies and Procedures for the Purchase of Equipment and Supplies/Award of Contracts**

---

Attached for your review is a draft resolution updating the Policies and Procedures for the Purchase of Equipment and Supplies and the Award of Contracts (Policies and Procedures) as well as a redlined version of the amended Policies and Procedures. The attached draft accomplishes the following:

(1) General Manager – Contract Authority

It revises the limits within which the General Manager may enter into contracts, issue purchase orders and generally spend BAWSCA funds. Currently, the authority of the General Manager for contracts is \$10,000. Many Bay Area public agencies authorize General Managers to enter into contracts up to \$50,000 or more. The amended Policies and Procedures changes this amount to \$25,000 for most contracts, which is more conservative with other Bay Area public entities, including member agency water districts, as the chart below demonstrates.

GENERAL MANAGER CONTRACT AUTHORITY <sup>1</sup>			
Agency	Equipment/Supplies	Professional Services	Construction
Representative Bay Area Water Districts	\$30,000 - \$50,000	\$25,000 - \$50,000	\$30,000 - \$50,000
Representative Bay Area Transit Planning Districts	\$25,000 - \$50,000	\$25,000 - \$50,000	\$25,000
BAWSCA - Current limit	\$10,000	\$10,000	\$10,000
Proposed limit	\$25,000	\$25,000	No Change

<sup>1</sup> Larger agencies, such as Samtrans, the Golden Gate Bridge District, Bart, and AC Transit, and cities with significant capital projects, have General Manager contract authority up to \$100,000.

Memorandum To: Art Jensen, CEO BAWSCA  
Allison Schutte  
Julie Sherman  
December 7, 2011  
Page 2

Please note that for construction contracts, the General Manager's contract authority will continue to be \$10,000; as procurements of such contracts are anticipated to be rare, it should not be a burden to seek Board approval for contracts over \$10,000.

(2) Solicitation Policy Limits

The Policies and Procedures have been amended with updated limits in most procurement categories. These changes represent an increase over the prior limits. These changes are consistent with limits recognized by other Bay Area public entities. For example, by statute, Samtrans uses formal competitive bidding for procurements over \$100,000; informal procurement methods (i.e., obtaining three oral or written quotations) may be used for amounts under \$100,000.

(2) Change Order Authority

We also investigated change order authority for the representative agencies. In many cases, the agencies did not authorize the General Manager to execute change orders without Board approval. At least one water district chose to amend its procurement policy this fall to authorize the General Manager to enter into change orders up to \$50,000 or 10% of the contract amount in order to avoid repeatedly returning to the Board for all change orders. For some cities, the Council regularly approves a contingency when it approves a contract, authorizing the City Manager to approve change orders and amendments up to the amount of the contingency.

In updating the BAWSCA Policies and Procedures, we have limited the General Manager's authority to approve change orders and amendments to his contract authority, \$25,000. This limit will facilitate timely administration of contracts. In the past, change order authority was limited to 10% of the base contract amount. As many BAWSCA contracts are about \$50,000, this restriction would only permit a \$5,000 change order which would be very restrictive and would not provide the flexibility needed for the General Manager to respond quickly to Agency needs. In addition, Section I.D, requiring the General Manager to report all contracts to the Board of Directors, has been amended to also include reporting of all change orders and amendments to the Board.

If you have any questions, please do not hesitate to contact Allison at (415) 995-5823 or Julie Sherman at (415) 995-5185.

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**POLICIES AND PROCEDURES FOR THE PURCHASE OF EQUIPMENT AND**  
**SUPPLIES AND THE AWARD OF CONTRACTS**

**I. PURCHASE OF EQUIPMENT AND SUPPLIES**

**A. Purchases Under \$~~1025,000~~**

When the estimated cost of equipment or supplies is below \$~~1025,000~~, the General Manager may award the contract or purchase order. If the estimated cost is less than \$~~2,5005,000~~, the General Manager shall attempt to secure the best value for the Agency, but need not solicit quotes or bids. If the estimated cost is between \$~~2,5005,000~~ and \$~~510,000~~, the General Manager shall solicit informal quotes from at least two vendors. If the estimated cost exceeds \$~~510,000~~, but is less than \$~~1025,000~~, the General Manager shall solicit formal written quotes from at least three vendors, but need not formally advertise for the solicitation of bids.

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**B. Purchases of \$~~1025,000~~ or More**

All contracts in the amount of \$~~1025,000~~ or more shall be submitted to the Board of Directors for approval. When the estimated cost of equipment or supplies is \$~~1025,000~~ or more, the General Manager shall solicit formal written bids/proposals through means and methods which he or she determines to be most cost-effective, which may include advertisement in a newspaper of general circulation in the Agency.

**C. Leasing of Equipment**

Leasing or renting of equipment is permitted if advantageous to BAWSCA. If the total rental payments due under a lease are below \$~~1025,000~~, the General Manager shall follow the procedure in Section I.A. If the total rental payments due under a lease are \$~~1025,000~~ or more, the General Manager shall follow the procedure in Section I.B.

**D. Reporting**

The General Manager shall report to the Board of Directors on (1) all contracts or leases entered into under Section I.A or I.C and (2) all change orders or amendments entered into under Section V.B. at the next meeting of the Board.

**E. General**

1. Board approval is required for extension of contracts or purchase orders beyond one (1) year where the cost of the extension is estimated to exceed \$~~1025,000~~.
2. The General Manager is authorized to purchase equipment and supplies through the State of California cooperative purchasing program authorized

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by Public Contract Code Section 10298, California Multiple Awards Schedule (CMAS). If the cost of such purchase is expected to exceed \$~~4025~~,000, the General Manager shall obtain Board approval before participating in the CMAS procurement.

## II. PURCHASE OR LEASE OF REAL PROPERTY

Any contract for the purchase of real property must be submitted to and approved by the Board of Directors.

Any lease or sublease of real property, including any renewal or extension of an existing lease or sublease, must be submitted to and approved by the Board of Directors.

## III. CONTRACTS FOR SERVICES

Contracts for services in which the maximum compensation payable does not exceed \$~~4025~~,000 may be entered into by the General Manager.

~~Contracts for services in which the maximum compensation payable exceeds \$10,000~~  
~~All other contracts~~ shall be submitted to and approved by the Board of Directors.

## IV. CONTRACTS FOR CONSTRUCTION

Any contract for construction (other than a leasehold improvement costing less than \$10,000) shall require approval of the Board of Directors.

## V. GENERAL MANAGER AUTHORITY

- A. The General Manager is authorized to expend funds, issue purchase orders and sign contracts for procurements and activities as follows: (1) up to \$~~4025~~,000 for equipment and supplies; and (2) up to \$~~4025~~,000 for professional or other services.
- B. The General Manager is authorized to administer all contracts on behalf of BAWSCA. The General Manager is authorized to issue change orders or amendments up to \$25,000 without further Board approval ~~if the change order or amendment does not increase the cost to BAWSCA by more than 10% of the contract amount, up to a maximum of \$10,000.~~

## ~~VI. ADJUSTMENT OF AMOUNTS~~

~~The amounts set forth in the Policy are as of January 2004. They shall be adjusted annually to reflect the change in the Consumer Price Index, All Urban Consumers, San Francisco San Jose Oakland, from February 2004 (198.1) to each succeeding February.~~

## ~~VII. VI.~~ WAIVER

The Board of Directors may suspend or waive the requirements of this Policy in any instance when the Board deems it in the best interest of BAWSCA to do so.

Adopted ~~April 15, 2004~~ January 19, 2012  
by Resolution No. ~~2004-04~~ 2012-

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**POLICIES AND PROCEDURES FOR THE PURCHASE OF EQUIPMENT AND**  
**SUPPLIES AND THE AWARD OF CONTRACTS**

**I. PURCHASE OF EQUIPMENT AND SUPPLIES**

**A. Purchases Under \$25,000**

When the estimated cost of equipment or supplies is below \$25,000, the General Manager may award the contract or purchase order. If the estimated cost is less than \$5,000, the General Manager shall attempt to secure the best value for the Agency, but need not solicit quotes or bids. If the estimated cost is between \$5,000 and \$10,000, the General Manager shall solicit informal quotes from at least two vendors. If the estimated cost exceeds \$10,000, but is less than \$25,000, the General Manager shall solicit formal written quotes from at least three vendors, but need not formally advertise for the solicitation of bids.

**B. Purchases of \$25,000 or More**

All contracts in the amount of \$25,000 or more shall be submitted to the Board of Directors for approval. When the estimated cost of equipment or supplies is \$25,000 or more, the General Manager shall solicit formal written bids/proposals through means and methods which he or she determines to be most cost-effective, which may include advertisement in a newspaper of general circulation in the Agency.

**C. Leasing of Equipment**

Leasing or renting of equipment is permitted if advantageous to BAWSCA. If the total rental payments due under a lease are below \$25,000, the General Manager shall follow the procedure in Section I.A. If the total rental payments due under a lease are \$25,000 or more, the General Manager shall follow the procedure in Section I.B.

**D. Reporting**

The General Manager shall report to the Board of Directors on (1) all contracts or leases entered into under Section I.A or I.C and (2) all change orders or amendments entered into under Section V.B. at the next meeting of the Board.

**E. General**

1. Board approval is required for extension of contracts or purchase orders beyond one (1) year where the cost of the extension is estimated to exceed \$25,000.
2. The General Manager is authorized to purchase equipment and supplies through the State of California cooperative purchasing program authorized

by Public Contract Code Section 10298, California Multiple Awards Schedule (CMAS). If the cost of such purchase is expected to exceed \$25,000, the General Manager shall obtain Board approval before participating in the CMAS procurement.

## **II. PURCHASE OR LEASE OF REAL PROPERTY**

Any contract for the purchase of real property must be submitted to and approved by the Board of Directors.

Any lease or sublease of real property, including any renewal or extension of an existing lease or sublease, must be submitted to and approved by the Board of Directors.

## **III. CONTRACTS FOR SERVICES**

Contracts for services in which the maximum compensation payable does not exceed \$25,000 may be entered into by the General Manager. All other contracts shall be submitted to and approved by the Board of Directors.

## **IV. CONTRACTS FOR CONSTRUCTION**

Any contract for construction (other than a leasehold improvement costing less than \$10,000) shall require approval of the Board of Directors.

## **V. GENERAL MANAGER AUTHORITY**

- A. The General Manager is authorized to expend funds, issue purchase orders and sign contracts for procurements and activities as follows: (1) up to \$25,000 for equipment and supplies; and (2) up to \$25,000 for professional or other services.
- B. The General Manager is authorized to administer all contracts on behalf of BAWSCA. The General Manager is authorized to issue change orders or amendments up to \$25,000 without further Board approval.

## **VI. WAIVER**

The Board of Directors may suspend or waive the requirements of this Policy in any instance when the Board deems it in the best interest of BAWSCA to do so.



**RESOLUTION NO. 2012-\_\_\_\_**  
**BY THE BOARD OF DIRECTORS OF THE**  
**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**POLICIES AND PROCEDURES**  
**FOR THE PURCHASE OF EQUIPMENT AND SUPPLIES AND**  
**THE AWARD OF CONTRACTS**

**WHEREAS**, the Bay Area Water Supply and Conservation Agency (BAWSCA) is organized and established pursuant to the Bay Area Water Supply and Conservation Agency Act, Water Code section 81300, *et seq.* (the “Act”); and

**WHEREAS**, the Act authorizes BAWSCA to acquire such property, facilities, equipment, materials and supplies as may be deemed necessary to carry out its duties; and

**WHEREAS**, Section 54202 of the Government Code requires that all local government agencies, including BAWSCA, adopt policies and procedures, including bidding requirements, for the purchase of equipment and supplies; and

**WHEREAS**, in 2004, BAWSCA adopted a “Policies and Procedures for the Purchase of Equipment and Supplies and the Award of Contracts” (“Policies and Procedures”); and

**WHEREAS**, staff has reviewed the Policies and Procedures and recommends that the Board of Directors adjust the limits of the General Manager's authority to enter into contracts on behalf of BAWSCA; and

**WHEREAS**, staff has also amended the Policies and Procedures to update and increase limits required for solicitations in most categories.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Bay Area Water Supply and Conservation Agency approves the amended and restated “Policies and Procedures for the Purchase of Equipment and Supplies and the Award of Contracts,” attached hereto.

**PASSED AND ADOPTED** this \_\_\_\_ day of \_\_\_\_\_, 2012, by the following vote:

AYES:

NOES:

ABSENT:

President, Board of Directors  
Bay Area Water Supply &  
Conservation Agency

ATTEST:

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Secretary

# Board Policy Calendar for FY 2011-12

Board Meeting	Purpose	Issue or Topic
July	D&A D&A S&D	Rules of the Board – Proposed modifications General Reserve policy SFPUC WSIP analysis of construction bids
September	D&A S&D S&D	Management of General Reserve SF WSIP – Annual Progress Report & Compliance with AB 1823 Water Supply Agreement – Report on second year administration
November	D D&A	Water Supply Strategy – Policy decisions and schedule CEO Performance review
January	D&A D&A S&D D	BAWSCA Mid-year progress and budget review Management of General Reserve Water Supply Strategy – Progress report Discussion of results to be achieved during FY 2011-12
March	D D&A	Discussion of preliminary Work Plan and budget for FY2012-13 Water Supply Strategy – Policy Decisions
May	D&A D&A	Adoption of Work Plan and Operating Budget for FY 2012-13 Approval of annual contracts for FY2012-13

Key: D = Discussion, A = Action, S = Status Report

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**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title:**        **Long-Term Reliable Water Supply Strategy – Water Transfer Policy Discussion**

**Summary:**

To support upcoming policy decisions by the Board to implement the Long-Term Reliable Water Supply Strategy, a discussion with the Board focused on Water Transfers will be scheduled in the coming months.

**Recommendation:**

At this time, the Committee is requested to provide input on how to best schedule the discussion to focus on policy issues and maximize results.

**Background:**

The progress and results to date in developing and upcoming policy issues for BAWSCA's Long-Term Reliable Water Supply Strategy (Strategy) were presented to the Board at its November meeting. One key area for early action that was identified was the potential for water transfers to meet near-term normal year and drought year water needs for BAWSCA member agencies.

A discussion focused solely on water transfers would be beneficial for the following reasons:

- 1) Water transfers appear to be a promising solution for meeting BAWSCA member water needs.
- 2) It is important to distinguish between the different possible kinds of water transfers and clarify the kind of water transfer being considered as part of the Strategy.
- 3) Water transfers require both supplies and facilities to move water, and leading to a variety of policy questions that must be addressed.
- 4) The questions raised by Board members at the November Board meeting indicate the need for staff to provide further clarification so that the Board has greater understanding before policy issues can be considered.

Potential policy issues that will eventually need to be addressed include:

- a) Determining the size of and value received from an investment in a water transfer
- b) Selecting a method for distributing benefits and costs
- c) Determining acceptable parameters for the agreements necessary to implement a water transfer
- d) Deciding how to address environmental impacts and mitigation
- e) Deciding whether alternatives solutions are both viable and preferable.

Water transfers are not a new concept in California. Agencies throughout California implement short-term and long-term water transfers every year for a number of reasons including water supply for urban consumers and ecosystem restoration. Only a few BAWSCA member agencies have implemented water transfers, and many are unfamiliar with the concepts, regulations and other factors that affect cost and implementation.

**Alternatives for Scheduling the Discussion.** The presentation and Board discussion can be accommodated within 45 minutes to an hour, including questions and answers. It would be best

if Board members had the opportunity to be fully engaged in the discussion, and there are several options for achieving that result.

- Conduct the discussion as an item on a regular meeting agenda
- Conduct a study session immediately prior to a regularly scheduled Board meeting
- Conduct a study session immediately following a regularly scheduled Board meeting
- Conduct the discussion as part of a special Board meeting held on a day separate from any other BAWSCA Board or committee meeting

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE MEETING**

**Agenda Title: SFPUC Water Supply Improvement Program – Status Report**

**Summary:**

An oral report on the SFPUC Water System Improvement Program (WSIP) will be made at the Committee meeting focusing on two issues:

1. A recent letter from BAWSCA's CEO to Mr. Ed Harrington, General Manager of the SFPUC, presents significant concerns with the SFPUC's ability to deliver the Water System Improvement Program (WSIP) within the most recently adopted schedule and budget (Copy attached). The letter urged Mr. Harrington to consider six recommendations to ensure that progress is clearly reported so that future schedule variances can be anticipated, managed and minimized. The letter was copied to the president of the Commission and the BAWSCA Board. The Commission is scheduled to consider several WSIP items at its December 13 meeting. Mr. Jensen will attend that meeting and present BAWSCA's recommendations to the Commission.
2. The SF Regional Water System main break that occurred on November 25<sup>th</sup> was associated with facilities constructed as part of the WSIP. The SFPUC immediately began an investigation to determine the cause of the event and what actions might be needed to ensure the integrity of and confidence in the water system. The following questions were submitted to the SFPUC with a request that they be addressed (Copy of email attached):
  - a. Because the break occurred at the site of a WSIP project, and therefore a new facility designed and built to current standards, what confidence can people have in the water system in general?
  - b. What does this event imply about the quality of work on the entire \$4.6 billion program?
  - c. If the problem resulted from faulty design or construction, what changes need to occur in the design, design review, construction management and construction inspection processes?

In a discussion with Ed Harrington, he stated the SFPUC had anticipated these and other questions and is pursuing answers as part of their investigation.

Also attached is a letter from Assembly Member Hill to the President of the SFPUC requesting answers to additional questions prior to a planned presentation by the SFPUC to the South San Francisco City Council on December 14<sup>th</sup>.

The Commission will receive a report from staff at its December 13 meeting. A report on that presentation and Commission discussion will be provided to the Board Policy Committee.

**Attachments**

1. Dec. 7, 2011 Letter to Ed Harrington re; BAWSCA's review of WSIP as of 12/1/11
2. Nov. 30, 2011 Communication with Julie Labonte re; SSF Main Break
3. Dec. 6, 2011 Letter to Commission President Moran from Supv. Jerry Hill

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# **BAWSCA**

**Bay Area Water Supply & Conservation Agency**

December 7, 2011

Mr. Ed Harrington, General Manager  
San Francisco Public Utilities Commission  
1155 Market Street, 11th Floor  
San Francisco, CA 94103

**Subject: Review of Water System Improvement Program Status as of December 1, 2011**

Dear Mr. Harrington,

This letter conveys BAWSCA's concerns about the ability of the SFPUC to deliver the Water System Improvement Program (WSIP) within the most recently adopted schedule and budget, and urges you to consider six recommendations from BAWSCA focused on ensuring that progress is clearly reported so that future schedule variances can be anticipated, managed and minimized.

On behalf of its member agencies and their customers, BAWSCA monitors SFPUC's progress in implementing the WSIP with a goal of ensuring that the program is delivered on-time, within budget, and meets the identified Level of Service goals adopted by the Commission. The BAWSCA agencies and their water customers, who pay the majority of the cost for these projects, want a high level of confidence that the promised budget and schedule will be achieved.

With increased construction activity and site conditions encountered at the New Irvington Tunnel and Calaveras Dam Replacement projects, we have focused our review on project schedules and the use of schedule contingencies. The comments in this letter reflect our findings, conclusions and recommendations to you, your staff, and the Commission.

We understand that this is a very complex program and that everything will not perfectly fall into place. However, the prospect of continued major schedule or budget revisions every year or two is unacceptable.

Based on our review, more information is needed to confirm that the WSIP can be implemented within the current schedule, and if not, to identify what steps should be taken to ensure the schedule can be met.

**Recommendations:**

BAWSCA recommends the following actions to be taken by the SFPUC:

1. Include a frank presentation in the WSIP Quarterly Reports on trends and the implications for the completion of the program on schedule and within budget.
2. Review key projects to determine if schedule and budget projections are accurate or if delivery issues exist that need to be addressed. The SFPUC should ensure that schedule and budget projections are conservative and prepared with a common purpose and objective, soundly based and consistent so that they can be relied upon with confidence.

3. Determine how Change Order processing delays impact project schedules and budgets and use the WSIP Quarterly Reports to indicate any expected impacts. If necessary, conduct an audit of change order document processing to determine whether delays are resulting in project schedule slippage or added project costs.
4. Conduct an audit to determine whether the number of change orders by type (i.e. owner requested changes, contractor requested changes, etc.) are reasonable, and ensure that the reasons and costs for change orders are clearly understood.
5. Review the current construction change order authorization policy to ensure that all change orders are essential for the project to meet Level of Service goals prior to authorizing the change.
6. Ensure that the Independent Review Panel is given sufficient latitude, time, resources and access to information so that its findings, conclusions and recommendations can be as helpful as possible, and so that it can fulfill the expectation that its review brings added confidence and is helpful to the WSIP manager, staff, the program management consultant, the Commission and the public.

**The Nature and Depth of BAWSCA's review:**

BAWSCA's review encompassed all WSIP Quarterly Reports plus the monthly Cost Summary and Document Turnaround reports and other reports such as the WSIP Change Order Reason (COR) report. We also reviewed the October 28, 2011 draft report commissioned by the Revenue Bond Oversight Committee (RBOC) and prepared by the Water System Improvement Program (WSIP) Construction Management Independent Review Panel (IRP). We submitted comments on that draft report to the chair of the RBOC. While some of the issues we think should be examined are included in our comments on that report, our investigation and the comments in this letter to you would have been prepared even if the RBOC report had not been commissioned.

Attachment A lists the findings and conclusions that form the basis for our recommendations.

The purpose of our review and recommendations is to be constructive and assist the SFPUC in the successful completion of the WSIP. We have been extremely impressed with San Francisco's attention to this program and the quality of work performed by Ms. Julie Labonte and the WSIP team of staff and consultants.

We look forward to working with you to address the issues this letter identifies. Please call me if you have questions about this review or our recommendations.

Sincerely,

  
Arthur R. Jensen  
Chief Executive Office

cc: Anson Moran, President of the SFPUC  
BAWSC Board of Directors

## ATTACHMENT A

### Findings and Conclusions:

From BAWSCA's review of these documents and our meetings with your staff, we prepared the following findings and conclusions:

- A. While the WSIP project budgets and schedules were revised only six months ago, as of the end of September the forecasted budgets and schedules for several projects already exceed the values and dates adopted by the Commission. According to the first Quarterly Report ending in September 2011, 10 of the 21 regional projects "need attention" because they are "not within schedule and/or budget." The Quarterly Report did not address whether this is a trend, and if so, what it means to the completion of the \$4.6 billion program. The Quarterly Reports should include a frank presentation on trends, whether forecasted completion dates are conservative, and the implications for the completion of the program on schedule and within budget.
- B. The high use or forecasted use of schedule and budget contingencies generated questions about the ability to complete projects on schedule. We examined the use of contingencies, including approved, pending and potential change orders and trends as reported in the September 2011 Cost Summary and Document Turnaround Report. The report data reveal the following conditions:
- 1) Regional projects: With only 39% of the work completed or invoiced, 68% of the schedule contingency and 53% of the budget contingency is expected to be used. This suggests too much of the contingency may be committed too early in the projects.
  - 2) All WSIP projects: Data for all WSIP projects, including those in San Francisco, show a more extreme result. With 41% of the work completed or invoiced, 96% of the schedule contingency and 51% of the budget contingency is expected to be used.
  - 3) The SFPUC took reasonable and appropriate actions in response to unexpected field conditions on the Calaveras Dam Replacement and the New Irvington Tunnel projects. However, the implications for completion of the projects need to be more clearly presented and understood. The projected use of schedule contingency appears extremely high on both projects. Key projects should be reviewed to determine if schedule and budget forecasts are accurate or if delivery issues exist that need to be addressed. Such project reviews would help build confidence in the current status of the schedules and budgets for the New Irvington Tunnel, the Calaveras Dam Replacement, and the Harry Tracy Water Treatment Plant Long Term Improvements projects, as well as the WSIP as a whole.
- C. Change Orders (CO) are taking too long to process. The September Cost Summary and Document Turnaround Report also indicates that processing time across all Change Order categories (proposed, requested, and final) exceeds document turnaround performance targets by 50% to 400% based on an average of the last 6 months. Given the high rate of expenditures or "burn rate," these delays in processing change orders make it difficult to see how the program can be managed within the adopted budgets and schedules. The impact of these delays on project schedules and budgets should be determined as a matter of routine and the Quarterly Reports should indicate whether or not such delays are expected to impact project schedules and budgets. The need for the changes and the reasons for the large number of changes should also be reviewed.

## ATTACHMENT A

- 1) The WSIP Change Order Reason (COR) report dated August 5, 2011 showed that about 52% of all approved changes (by dollar value) result from owner requested changes (31%) and design errors and omissions (21%).
  - 2) Over the last six months, SFPUC staff requested more CO's than did contractors (about 375 vs. 350). One would expect contractors to have many more change requests than staff who participated in project development and design. With the information available, BAWSCA was unable to understand the reasons for the changes and the potential cost and schedule impacts.
- D. The Independent Review Panel's recent draft report for the Revenue Bond Oversight Committee contained many deficiencies, which may be due to limited time and resources available to them for their review. The IRP's findings and recommendations should be more helpful to the WSIP manager, staff, the program management consultant, and the Commission by identifying potential problems and/or confirming that the program is on track. However, the panel's recent draft report generated a number of questions and concerns.
- 1) The panel's review is particularly timely, given the schedule and budget extensions observed since the Commission approved revised budgets and schedules less than six months ago.
  - 2) The draft IRP report cites that 96% of the WSIP construction schedule contingency is expected to be used with only 41% of the work completed or invoiced. But the report does not indicate whether or not the forecasted use of contingencies is conservative, provides no analysis or conclusions about how future project schedules and budgets might be impacted, and presents no recommendations for improving project delivery or managing within the approved schedules.
  - 3) The draft IRP report indicates that soft costs are "within industry norms" but gives no source for its conclusion. Soft costs are \$1.2 billion, about one-third of the program costs. Better documentation is needed to determine whether or not this sizable program cost is appropriate or deserves further attention.
  - 4) The IRP draft report did not review performance measures in detail and therefore did not consider or report on how past performance might affect future performance.

**From:** Art Jensen <[AJensen@bawsca.org](mailto:AJensen@bawsca.org)>

**Date:** November 30, 2011 12:21:58 PM PST

**To:** "Labonte, Julie" <[jlabornte@sflower.org](mailto:jlabornte@sflower.org)>

**Cc:** "Ritchie, Steve" <[SRitchie@sflower.org](mailto:SRitchie@sflower.org)>, "Briggs, David" <[DBriggs@sflower.org](mailto:DBriggs@sflower.org)>, "Harrington, Ed" <[EHarrington@sflower.org](mailto:EHarrington@sflower.org)>, Nicole Sandkulla <[NSandkulla@bawsca.org](mailto:NSandkulla@bawsca.org)>

**Subject:** South SF Main Break

Julie,

Steve Ritchie has been keeping me informed about the South SF main break. He and Briggs and I spoke most recently on Monday. He shared with me that you immediately placed the highest priority on determining the factors that lead to the break, and we appreciate that.

I agree with Steve that it's best to wait until the facts are in hand rather than engage in speculation. I am sure you are aware that the risk of erroneous speculation rises if facts and conclusions do not appear promptly.

I'm writing you because some of the questions that have occurred to us, and others, relate to the WSIP and fall under your leadership.

In short, direct form, the questions are:

1. Because the break occurred at the site of a WSIP project, and therefore a new facility designed and built to current standards, what confidence can people have in the water system in general?
2. What does this event imply about the quality of work on the entire \$4.6 billion program?
3. If the problem resulted from faulty design or construction, what changes need to occur in the design, design review, construction management and construction inspection processes?

Whether the results are good or bad, I encourage your investigation and the information being compiled by you and your staff to address these questions directly.

There were other questions that relate to operations and communications, and I've discussed those with Steve.

Please continue to keep us informed.

Art

---

Arthur R. Jensen  
Chief Executive Officer

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# Assembly California Legislature



**JERRY HILL**  
ASSEMBLYMEMBER, NINETEENTH DISTRICT  
CHAIR, ASSEMBLY DEMOCRATIC CAUCUS

COMMITTEES  
AGRICULTURE  
APPROPRIATIONS  
BUSINESS AND PROFESSIONS  
GOVERNMENTAL ORGANIZATION  
PUBLIC SAFETY

SELECT COMMITTEES  
CHAIR, BIOTECHNOLOGY  
GOVERNMENT EFFICIENCY,  
TECHNOLOGY AND INNOVATION  
HIGH SPEED RAIL FOR CALIFORNIA  
IMPROVING STATE GOVERNMENT  
RENEWABLE ENERGY

December 6, 2011

Anson Moran  
President  
San Francisco Public Utilities Commission  
1155 Market Street  
San Francisco, CA 94103

## **Re: Water Main Rupture in South San Francisco**

Dear President Moran,

I write to you today to express concern over the recent water main break in South San Francisco, which is owned and operated by the San Francisco Public Utilities Commission (SFPUC). Initial investigations have revealed that the source of the rupture is a 12-inch pipe that had been connected to a 60-inch pipeline. Both pipes had been upgraded within the last month as part of the Water System Improvement Program (WSIP). This \$4.6 billion program will repair, replace, and seismically upgrade the system's deteriorating pipelines, tunnels, reservoirs, pump stations, storage tanks, and dams all throughout SFPUC's service area.

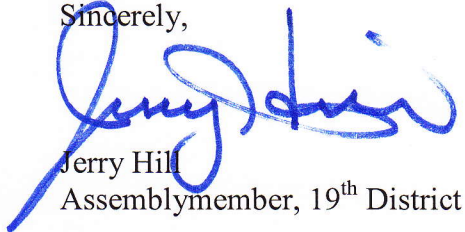
Although it may be premature to speculate as to the cause of the rupture, it might be prudent for the SFPUC, as it moves forward with the WSIP implementation to look into some of the questions the rupture, raises such as:

- 1) Once the water main ruptured, it took about 40 minutes for the water to be closed off, and in that time over a million gallons of water were released. What is SFPUC's emergency response plan for areas where the mains are on hillsides and such a downpour of water could cause landslides?
- 2) How does SFPUC coordinate with emergency responders throughout their service area in cases of emergency? Do the appropriate emergency responders have knowledge of where the water transmission lines are located?
- 3) In case of another rupture, what are SFPUC's contingency plans to ensure that the service area always has a reliable and adequate water supply?
- 4) Given that the rupture happened on lines that were WSIP projects, what does this mean about the safety of the rest of the projects? How will SFPUC change the approval of

projects moving forward and how will it guarantee that ruptures like these are not repeated?

I understand that SFPUC will be giving a briefing to the South San Francisco City Council on December 14, 2011 and I respectfully ask that these questions be answered and shared with the Council before this meeting.

Sincerely,



Jerry Hill  
Assemblymember, 19<sup>th</sup> District

cc: Ed Harrington, General Manager, San Francisco Public Utilities Commission  
Honorable Richard Garbarino, Mayor, South San Francisco  
Art Jensen, Chief Executive Officer and General Manager, Bay Area Water Supply & Conservation Agency