

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

**December 8, 2010 – 1:30 p.m.
155 Bovet Road, 1st Floor Conference Room**

MINUTES

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

Committee Chair Irene O’Connell called the meeting to order at 1:30. Ten (10) members of the committee were present, constituting a quorum. A list of the directors present (10) and members of the community attending is attached.

2. Public Comments: There were no public comments.

3. Consent Calendar:

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

M/S/C (Pierce/Wykoff/Unanimous) that the Committee approve the minutes from the meeting of August 11, 2010.

4. Reports and Discussions:

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

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

Mid-Year 2010-11 Work Plan and Budget Review: Mr. Jensen reported that the work plan for the current fiscal year can be achieved with the approved budget, although adjustments in some areas need to be re-prioritized and re-scheduled as explained in the staff memo. Staff recommendation for the Committee is to support board approval of reallocating \$35,000 in the approved budget from professional fishery consultation, and amend the existing professional services contract with Brown & Caldwell to support the implementation and ongoing support for the water conservation database.

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

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

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

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

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

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

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

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

Mr. Jensen noted that BAWSCA is sensitive to the current state of the economy and many of the agencies' financial situations. Alternative ways to provide the needed resources were examined and summarized in the staff memo. They included reduction of BAWSCA's conservation programs, extension of the timeline to complete the Strategy, use of temporary employees, hiring a new employee and the use of outside consultants.

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

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

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

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

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

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

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

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

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

Director Pear commented on the summary of the alternatives in the staff memo and noted that in contrary to temporary employees' inability to work onsite, many workforces effectively work offsite. He also expressed his concerns with the need for additional resources coming back every year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Director Pierce noted that knowing when cost allocation for the Strategy will be discussed would be helpful. Mr. Jensen stated that a progress report of the Strategy will be presented to the Board in March 2011 and will include a schedule of policy decisions that would need to be made, including cost allocations.

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

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

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

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

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

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

5. Special Reports:

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

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

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

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

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

Long-Term Reliable Water Supply Strategy: Mr. Jensen reported that one-on-one meetings with individual agencies have been completed. The meetings were held to identify each agency's expectations for additional supply or drought reliability their customers might need, and to gather available technical data for each agency's potential projects. This effort is an ongoing process between BAWSCA and the agencies.

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

6. Comments by Committee Members:

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

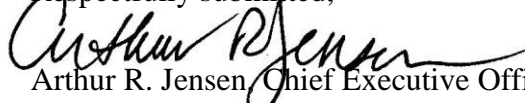
In response to Director Fergusson's question, Mr. Jensen reported that information on the Drought Implementation Plan has gone out to all agencies, and the City of Redwood City was the first agency to adopt the plan under consent. All agencies should consider and act on the plan by March 2011.

Mr. Jensen would caution agencies with their use of the word "agree" in their correspondence to the SFPUC regarding the ISA. It would be in the best interest of agencies to reserve their right to contest the ISA legally and in the court of law. Legal Counsel, Allison Schutte, stated that agencies can make reference to the language in the Water Supply Agreement, section 8.07 subsection D3. Correspondence with the SFPUC should note that your agency is reserving its right to contest the ISA.

Lastly, agencies' correspondence should reflect peer-to-peer relationships. Correspondence coming from a city's Mayor should be addressed to either the Mayor of San Francisco or to the President of the San Francisco Public Utilities Commission

- 7. Adjournment:** The meeting was adjourned at approximately 3:10 to the next regularly scheduled meeting on February 9, 2011 at 1:30 p.m. which will be held at 155 Bovet Road, 1st Floor Conference Room, San Mateo.

Respectfully submitted,



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

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board Policy Committee
December 8, 2010**

Attendance Roster

Committee Members Present:

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

BAWSCA Staff Members Present:

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

Guests:

Bob Anderson	Purissima Hills Water District
Peter Drekmeier	Tuolumne River Trust
Marilyn Mosher	City of Hayward
Sharyn Saslafsky	SFPUC