

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE

December, 2012 – 1:30 p.m.

BAWSCA Offices, 155 Bovet Road, San Mateo, 1st Floor Conference Room

MINUTES

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

Committee Vice Chair Rob Guzzetta called the meeting to order at 1:33 pm. Committee Chair Larry Klein was absent. A list of Committee members present (8) and absent (2), and of other attendees is attached.

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

- 2. Comments by Chair:** Vice Chair Guzzetta noted that while the agenda is not as robust as the October agenda, the items are just as critical. They include the mid-year budget review, and planning for the Fiscal Year 2013-14 work plan and budget.
- 3. Public Comments:** Peter Drekmeier of Tuolumne River Trust addressed the Committee about the challenge of climate change and population growth. He encourages BAWSCA to consider steps it can take to educate its member agencies about the issue, and to watch a recent documentary he saw, titled “Chasing Ice.”
- 4. Consent Calendar:** Approval of Minutes from the October 10, 2012 meeting and recommending Board approval to appoint a BAWSCA Representative and an Alternate to the ACWA/JPIA. .

Director O’Connell made a motion, seconded by Director Anderson, that the items under the Consent Calendar be approved. The items include approval of the Minutes from the October 10, 2012 meeting, and recommending Board approval of an agenda item for the appointment of a BAWSCA Representative and an Alternate to the ACWA/JPIA. The motion carried unanimously.

Director Weed noted that he and Director Anderson are JPIA representatives for their respective agencies.

5. Reports and Action Items:

- A. Mid-year 2012-13 Work Plan and Budget Review:** Mr. Jensen went over the budget actions taken by the board during FY 2012-13. He noted that in September, the original budget amount of \$2,585,502 increased by \$130,000 after the board authorized a transfer from the General Reserve to fund the development of a Pilot Water Transfer Program.

Mr. Jensen presented proposed changes to the current fiscal year's work plan and recommended budget reallocations for the mid-year budget review. He referred to the table in the staff memo, which highlights the proposed changes.

The first area of change in the current work plan is a modification to the work plan item related to developing a consistent and defensible basis for regional planning. The item in the approved FY 2012-13 work plan and operating budget was to select a consultant to prepare a uniform method to project water demands and water conservation savings throughout the service area. The products of this work can help satisfy requirements from the California Environmental Quality Act (CEQA) if BAWSCA were to pursue water supply projects, and provide information to be used in the Federal Energy Regulatory Commission (FERC) relicensing process for New Don Pedro.

Mr. Jensen reported that Request for Proposals (RFP) went out in October, and the selection process will be concluded in January. Mr. Jensen reported that staff members from ACWD and Mountain View are on the selection panel. Following selection of a consultant, the Board would be asked to authorize funding and execution of a professional services contract.

Mr. Jensen explained that the funding needed for this work was not included in the operating budget because the amount was unknown and to avoid receiving consultant proposals tailored to a rough estimate.

Mr. Jensen provided a sense of the potential costs by citing how much San Francisco spent developing regional water demand projections back in 2005. He reported that San Francisco's cost was close to \$700K for just the BAWSCA agencies. Mr. Jensen noted that while this appears to be a large number in aggregate, it is equivalent to an average cost of about \$20K per agency. The proposals received to date have a range between \$215K and \$600K.

Beginning the work this fiscal year provides the advantage of being able to use the demand and water conservation projections sooner.

Mr. Jensen explained that because this work would be a one-time project, the Board would be asked to consider funding the work with a portion of the General Reserve balance rather than implement a short-term increase in the annual assessments for this purpose. Mr. Jensen noted that the General Reserve, which would be discussed later under this item, is projected to have a balance that could be used in this manner.

He reiterated that there is no recommendation for action at this time. In February, following the selection process and when reliable budgeting information is available, the Committee will be presented with recommendations for the consultant, schedule and funding.

With respect to managing the General Reserve, Director Pierce asked whether a portion of the reserve should be allocated among a list of potential tasks that are seen as valuable to achieving results, as opposed to leaving all of the money in the General Reserve. The Board could allocate money for potential tasks each year.

Director Pierce stated her suggestion was intended to avoid the appearance of having an excessive balance in the Reserve and the mis-perception that the Board was simply trying to find ways to spend it. Director Pierce was curious about other Committee members' perspective.

Director O'Connell said that San Bruno has a similar process where a portion of the budget is set aside for some tasks to avoid having a large reserve.

To clarify his understanding of the idea, Mr. Jensen stated that the General Reserve would continue to be maintained for issues that are unforeseen and unexpected.

The Committee discussed the idea Director Pierce suggested, and presented questions as well as input.

Director Piccolotti asked if the reserve covers BAWSCA's liabilities, and if not, those liabilities should be earmarked and included in the list of potential expenses.

Director Abrica stated that the issue, if any, on allocating money for a list of potential projects, would come from prioritizing the list of tasks. A process would have to be developed by, and followed by, the Board when it is time to select which task from the list should be done first.

Director Weed noted that ACWD's Other Post-Employment Benefits (OPEB) continue to grow and asked if BAWSCA has OPEB established in its accounting. He encourages the Board to consider having that liability identified and funded.

Mr. Jensen stated that the Auditor is required to estimate the financial liabilities associated with BAWSCA's retirees. That figure can be generated, and is expected to be small. BAWSCA has only two retirees at the present time.

Director Guzzetta suggested that the liability might be something the auditors can include in the annual audit report. Mr. Jensen responded that the report addresses this requirement.

Legal Counsel, Allison Schutte added that it is also laid out in BAWSCA's preliminary statement as part of its disclosure for the bond issuance.

BAWSCA's Senior Administrative Analyst, Christina Tang, reported that due to BAWSCA's size, BAWSCA is not required to set aside any liability for OPEB.

Director Weed stated that it would be good practice if the agency did.

Director Guzzetta suggested to put the issue on the next committee agenda for further discussion.

Mr. Jensen stated that the discussion on unfunded liability and OPEB will be reflected in the BPC Summary Report and Minutes, and the issue will be included as an item for discussion on the agenda for the meeting in February.

Director Guzzetta offered a contrary opinion on the allocation of funds and commented that BAWSCA should do the best job it can of planning, to be as efficient as it can be. He noted that the reason we have money this year is because we had a surplus in the

budget. He encourages the CEO and the Board to do the best job of planning as possible for the upcoming fiscal year.

BAWSCA should look for the critical things it has to do, and fund those efforts in the budget, rather than having a separate fund for a wish list. He suggests the wish list be created, but prefers to have each specific tasks included and funded each year in the annual operating budget.

Director Weed suggested consulting with the rating agencies who are working on BAWSCA's bond rating about what elements they look for in a budget.

Mr. Jensen reported that those discussions took place and went very well for BAWSCA. No concerns on BAWSCA's financing have been flagged. He noted that BAWSCA's situation regarding OPEB may be different than others because BAWSCA does not have operating liabilities such as crews and equipment.

Mr. Jensen noted that historically BAWSCA's budget development is built around the activities and results that must be achieved during the fiscal year. The budget has not included a wish list of items. Because the budget is relatively small, variations in external schedules and the levels of activity needed to achieve results creates uncertainty, and that budget needs cannot be predicted precisely.

Mr. Jensen stated the uncertainty is managed formally through the mid-year work plan and budget review process. As Director Guzzetta pointed out, the budget is typically underspent between 8% -14%. The excess is deposited in the General Reserve annually so that the funds can continue to be programmed to benefit the rate payers.

Mr. Jensen referred to the staff memo's section which stated, if the budget continues to be at or about 2.5 Million a year, and in the absence of any special projects, then the assessment levels should be decreased, consistent with the analysis presented to the Board when the budget was approved last May.

Director Weed asked when and how will BAWSCA address transfers of Individual Water Supply Guarantees among BAWSCA members.

Mr. Jensen stated that it is not a part of the current work plan. He said previous discussions of this issue revealed that BAWSCA's potential role is unclear. BAWSCA could elect to take a role, however, it should avoid actions, or the appearance of actions that would benefit a buyer or a seller to the disadvantage of the other.

In the past, some have suggested that BAWSCA could serve as a broker for willing buyers and sellers, but there has been no interest to date. He also noted that some agencies have taken advantage of the provisions included in the Water Supply Agreement and have sought willing sellers for such transfers. However, to date no agencies have responded positively.

Mr. Jensen stated that he is open to looking at the issue of what role BAWSCA play if there is interest among the agencies for BAWSCA to do so.

Mr. Jensen continued his presentation and reported that a second proposed change to the work plan is the investigation of a pilot subscription conservation program that

would provide residential customers with water-use information designed to promote water conservation. Customers would be able to access their water use information through the internet and direct mail.

There are various companies that provide this service. The reported water savings in other areas are up to 5%. Some BAWSCA agencies are already pursuing this kind of service independently.

Several BAWSCA agencies have expressed interest in a pilot program coordinated by BAWSCA and funded by agencies that choose to participate.

BAWSCA would issue an RFP for a professional services contract for a consultant to provide the desired services. The effort would change the work plan as it will involve time from staff to coordinate this effort, but would not change the operating budget.

Further comments and questions on this element of the work plan were raised later in the meeting.

The third proposed change to the work plan involves the effort to protect the reliable water supply for water customers outside San Francisco from potential adverse impacts associated with the efforts to drain Hetch Hetchy Reservoir.

While San Francisco voters rejected Measure F in November, proponents continue their effort to drain Hetch Hetchy. Therefore, consistent with its historical position on the issue, BAWSCA will pursue administrative and legislative actions to protect the customers outside San Francisco. Mr. Jensen reported that significant discussions have begun.

While more effort may need to be devoted to this part of the work plan, no budget modification is required at this time. Should the effort become significant and resource-intensive, Mr. Jensen will come back to the Board to request additional resources.

In response to Director Weed's question about the need to modify the professional services contract for Strategic Counsel for the legislative efforts, Mr. Jensen stated that any modifications could be done within his spending authority. Should the efforts become more aggressive, he would come back to the Board to request necessary authorization.

Director Weed asked at what point will the BAWSCA Board have a discussion on the issues relating to the vote member agencies might have on the efforts to drain Hetch Hetchy. He commented that while San Francisco has a strong sense of ownership to voting down Measure F on a vote of 77 to 23 in November, he stated that voting in other jurisdictions might or might not show a similar result. Director Weed noted that an active member of Sierra Club's San Francisco Bay Chapter Executive Committee has just been elected to Fremont's City Council, and that he is not prepared to support BAWSCA's legislative initiative. Mr. Jensen said he would be pleased to speak to Director Weed about his concerns.

Director O'Connell asked if BAWSCA's effort should be limited to the impacts of draining Hetch Hetchy, or should the effort include any potential adverse effects to the water supply.

Mr. Jensen stated that in the pursuit of either the administrative or legislative actions, vague objectives are difficult or impossible to achieve. Specific, limited objectives, while difficult, can be achieved.

There were no further comments or questions on this element of the work plan.

Mr. Jensen continued his presentation on the work plan. Ongoing Administration of the 2009 Water Supply Agreement currently includes a resolution of outstanding cost-allocation issues from prior years. BAWSCA is working closely with San Francisco to reach an agreement. Resources required for this work are available within the existing budget and there are no work plan or budget changes proposed at this time.

However, Mr. Jensen noted that if no agreement is reached with San Francisco, BAWSCA would consider resolution through arbitration, as provided in the Agreement. If so, additional resources in the current and subsequent year may be needed since arbitration is not included in the current work plan and budget. If arbitration must be pursued, BAWSCA's prior arbitration costs would be used as a basis for estimated associated costs, and all information would be presented to the Board with a request for any needed authority and funding..

Mr. Jensen stated that legal actions and arbitration were included in the initial purpose of setting up the General Reserve, and if arbitration were needed, it could be funded by the General Reserve.

Managing and administering the activities related to the Bond issuance will change the work plan, but have no change in the operating budget.

The Bond issuance is anticipated in January. Preparations for proper accounting, recording and reporting requirements have been initiated by staff with assistance from BAWSCA's auditor. BAWSCA will be monitoring the movement of revenues collected by the SFPUC as well as transfers to the Trustee, the SFPUC's expenditure of the proceeds, and the purposes or projects financed using such expenditures.

In addition, Mr. Jensen reported that Christina Tang is in the process of developing a manual for administering the bonds during their 21 year duration that can be used by future staff.

Mr. Jensen went over activities in the current work plan that he proposes be postponed.

The first is the development of the Wholesale Customers' interests and objectives if the SFPUC were to consider future changes to the wholesale water rate structure. Mr. Jensen reported that while the SFPUC is expected to adjust wholesale water rates this coming spring, the SFPUC has agreed not to change the rate *structure* at this time. Mr. Jensen hopes to address this task in the current fiscal year, if possible.

In response to Director Weed's question, Mr. Jensen explained that changes to the SFPUC's wholesale water rate setting structure do not require an amendment to the WSA. BAWSCA has no authority over the wholesale rate setting structure.

He further explained that the WSA provides SFPUC the authority over changes to the wholesale rate structure, and also contains procedures that the SFPUC must follow to inform and obtain input from the Wholesale Customers.

BAWSCA anticipated heavier involvement in the FERC relicensing process of New Don Pedro this year, but Mr. Jensen reported that the anticipated activities has not yet come to pass. This change in timing was fortunate, as it allowed legal counsel and staff to focus on other critical matters, and provided savings that can be reallocated toward more critical activities.

BAWSCA's work plan also included protecting the interests of the Wholesale Customers in the proposed water transfer between the Modesto Irrigation District and the SFPUC, but those parties have suspended that effort. Mr. Jensen reported there have been discussions of a possible water transfer between the Oakdale Irrigation District and the SFPUC. This activity will be monitored.

Finally, the table of activities not budgeted for this year included researching alternative *retail* rate structures that might stabilize retail water rates and water revenues. In keeping with the budget priorities, no significant effort has been directed to that issue. However, BAWSCA has worked in conjunction with other groups to sponsor a workshop on water rate setting that is scheduled for January 15th in Redwood City. A notice was sent to all member agencies.

Mr. Jensen reported that the projected year-end balance for the General Reserve is \$1,264,840 as of July 1, 2013. This amount exceeds BAWSCA's general reserve guideline, 35% of its fiscal year operating budget, by \$360,000. This number is based on BAWSCA's operating budget of \$2,585,504 adopted in May 2012.

Potential activities that might affect the balance were discussed. One-time projects that could be funded using a portion of the General Reserve balance include the development of a consistent and defensible water demand projections, potential arbitration of cost-allocation issues, and major legislative efforts.

Potential ways to manage the General Reserve balance include reimbursing the excess to member agencies and reducing the level of assessments. Because more will be known this spring about the likelihood and cost of the one-time activities, Mr. Jensen recommended postponing any decision of refunding the excess until February, when that information will be available.

Mr. Jensen stated that more information will be available in February on the water demand projection methodology, and the cost-allocation issues with San Francisco. The preliminary work plan activities and budget proposal for Fiscal Year 2013-14 will also be available. These pieces of information will be vital to the consideration of alternatives for managing the General Reserve balance and whether to reduce assessments.

Mr. Jensen said he believes a reduction in the level of assessments would be necessary if the operating budget remains at the current level.

Director Pierce asked whether the adjustments to the General Reserve typically take place at year end.

Mr. Jensen explained that deposits to the General Reserve are made after the end of each fiscal year. Uses of the General Reserve generally occur when the Board adopts the annual budget and funding plan, or when the Board authorizes a specific use of the reserve, as it did this last September. An exception to this process was when the Board, in September of 2011, acted to refund a portion of the General Reserve balance to the agencies.

Director Breault commented on Director Pierce's previous note on how funds in excess of BAWSCA's 35% guideline are viewed. The question is whether the funds are reserved or associated with specific potential tasks that add value, as opposed to including those appropriating funds in the operating budget for the same tasks. He said it may depend on how the information is presented and how it is interpreted by others.

Director Weed asked whether BAWSCA knows the amount of liability associated with OPEB. Mr. Jensen stated that the amount can be provided to the Board at its January meeting.

Director Piccolotti stated a concern about the cost for the pilot conservation program. His understanding is that real-time water-use data would require installation of expensive meters. He was curious to know what agencies have those capabilities.

Mr. Jensen stated that the program would be offered on a subscription basis, with costs paid for by those agencies that wish to participate.

Ms. Dutton explained that BAWSCA is talking to service providers who use technologies besides automated meter reading. She reported that one company in particular, receives billing data from the utility, and uses that information to interface with the customers through the web or direct mail. Other companies attach devices to existing meters and those devices communicate with the existing cell phone network to deliver data.

Ms. Dutton explained that doing a single contract with a selected service provider on behalf of the participating agencies can reduce the upfront set up cost and make the program more cost-effective for agencies to participate.

In response to a question from Director Breault, Ms. Dutton stated BAWSCA's RFP will ask proposers to demonstrate the results they achieved for previous clients. Several agencies such as East Bay MUD, Sonoma County Water Agency, and City of Palo Alto have been piloting these technologies, and there are documented results that BAWSCA can review.

Director Pierce suggested that since not every member of the BAWSCA Board is from a water district, it would be helpful to have more information on what BAWSCA is

looking for in this program, and what it would look like to the customers and to the water agencies.

Mr. Jensen agreed to provide more information.

Director Guzzetta stated that he had been skeptical with these types of services until he tested some of the technology in his home. He reported that there are lots of benefits to this program, and that providing customers with information about their water usage is powerful because it impacts their behavior.

For example, there is value in leak detection notification that alerts customers when their water usage goes above a given threshold. He noted that a hose was left dripping at his home and he never would have known this for weeks if it weren't for these alerts. It was close to the foundation of the house, and could have caused some real damage if left undetected.

He said this type of information provided to the customers can change their habits because it becomes their responsibility to monitor activities themselves.

Director Pierce added that offering the program on a subscription basis offers a lot of flexibility and advantages for the member agencies.

In response to Director Piccolotti's question, Mr. Jensen stated that there is no cost to the agencies for doing the RFP and for administering the pilot program. The work will be completed under staff time, and as a subscription program, agencies will fund their participation.

Director Weed asked for more information about the work plan item for pursuing an agreement with San Francisco or legislation to protect customers outside San Francisco, with costs funded by reallocating funds within the existing budget. Mr. Jensen offered to discuss the item in detail separately.

Director O'Connell made a motion, seconded by Director Breault, that:

The Committee recommend:

- 1. Board approval of the following revisions to the FY2012-13 Work Plan:**
 - a. Investigate a potential pilot subscription program that would provide customers with water use information designed to promote water conservation, with all costs to be borne by participating member agencies.**
 - b. Pursue agreement with San Francisco or legislation to protect customers outside SF, with costs funded by reallocating funds within the existing budget.**
 - c. Complete the sale of bonds to prepay capital debt owed to San Francisco and implement monitoring and reporting measures to ensure proper management of bond proceeds.**
- 2. Board review and discuss alternatives for managing the General Reserve balance at the March 2013 Board meeting, and consider taking actions at the**

May 2013 Board meeting in conjunction with the consideration and adoption of the FY 2013-14 budget.

The motion carried unanimously.

- B. Fiscal Year 2013-14 Work Plan and Budget Preparation: Mr. Jensen reported that, as in prior years, the preparation of the work plan and budget for FY 2013-14 begins by looking at matters the agency must address between now and the year 2035, and then working backwards to identify what results must be achieved during the coming year.

The resources needed to achieve those results can then be estimated. The scope of activities, budget and funding alternatives are then examined prior to presenting a preliminary work plan and budget to the Committee in February.

Examples of long-term issues include: a) the timing for when additional normal year water supply would be required; b) issues that should be investigated before 2018 when San Francisco makes decisions about whether to supply more water to its wholesale customers and whether it will continue to service San Jose and Santa Clara; c) the need for member agencies to agree on how to allocate SFPUC water during droughts before the current drought allocation agreement expires in 2018; d) on-going oversight of the WSIP through its completion; and other matters vital to the members and the water customers, such as negotiation of the extension of the Water Supply Agreement before the current one expires in 2034.

Mr. Jensen stated that BAWSCA adds value by achieving results that agencies cannot by working independently, or that agencies can obtain more cost-effectively or efficiently through BAWSCA. He noted that Board members may have additional ideas that should be considered during preparation of the preliminary work plan. Those items can be discussed at the January meeting

Mr. Jensen reported that the funding of the budget for FY 2013-14 will be structured differently. The Operating budget, which includes consultant expenses, staff salaries and benefits, and the office lease, will appear at the top of the traditional table. The budgets for special projects, such as the Long-Term Reliable Water Supply Strategy, will appear separately and below the Operating budget. This way, the normal operating budget can be compared from one year to the next on an apples-to-apples basis, and the total budget will be transparent as well.

The management of employee salaries and benefits will be consistent with previous years. Mr. Jensen reported that the last compensation survey was conducted two years ago, and that it would be time to budget that activity in next fiscal year.

Mr. Jensen noted that BAWSCA employees make no contributions to Social Security, which can affect their long-term retirement. Employees that made contributions when working for prior employers have their Social Security benefits reduced dramatically the longer they work for employers that do not have a system for Social Security contributions.

BAWSCA employees pay into the CalPERS retirement plan in lieu of Social Security withholding. Some agencies do both CalPERS and Social Security. He suggested he could begin by working with legal counsel to examine the applicable regulations and then examine the costs and other issues associated with participation in Social Security.

Mr. Jensen said the importance to BAWSCA is that the ability to contribute to Social Security could become an important factor in attracting and retaining high quality staff. He noted that a change would not benefit BAWSCA employees who have already retired. He also noted he would derive no personal benefit from such a change because it would take a very long time for such a change to make an appreciable impact on his personal Social Security benefits.

He asked for comments from members of the Committee.

Director Weed stated that a critical consideration is that 40 quarters of participation in Social Security are needed to qualify for Medicare.

Director Pierce was supportive of looking into how BAWSCA could provide its employees a way to better plan for their retirement, and asked to see further information for the Board's consideration.

Director Guzzetta was also supportive of looking into how it can be included in BAWSCA's total compensation to make it a competitive and fair package.

Director Pierce asked if BAWSCA provides health benefits to its retired employees. Mr. Jensen replied yes, and offered to provide further information to the Committee at its meeting in February.

6. Brief Reports:

- A. Bond Issuance to Prepay Capital Debt Owed to SFPUC – Status Report: Mr. Jensen reported that negotiations of the agreement with San Francisco on the bond issuance have been completed. The agreement is scheduled to go before the San Francisco Board of Supervisors for approval on January 15th.

Adoption of the agreement by the City and County of San Francisco is the final step for the bonds to go to market. Mr. Jensen reported that he has been advised by the underwriters to meet personally with the bond buyers. He alerted the Committee that he may be called to go to New York for the sale of the bonds which could possibly be as early as the day of the Board meeting on January 17th.

The Board will be notified by email of the developing information with the credit ratings and the sale of the Bonds.

The resolution for participation has been adopted by eighteen agencies, and is scheduled for action by six agencies. Documentation for participation by Stanford and Cal Water are scheduled to be received by the deadline of December 23rd.

- B. SFPUC Water Supply Improvement Program – Status Report: As reported to the Board at its November meeting by SFPUC Program Manager, Julie Labonte, the current estimate for additional work on the Calaveras Dam is \$130 million. As stated, 85 percent of that \$130 million would have been needed even if the SFPUC had been able to foresee the issues that were encountered at the dam site.

Mr. Jensen reported that the SFPUC is still waiting for cost proposals and to conduct negotiations with the contractors before a final cost can be determined. The SFPUC is taking a strategic approach to avoid further delays to the project. They will go to the Commission in January for additional funding based upon the engineer's estimate, and will come back to the Commission for additional authority, if necessary, once a cost is negotiated with the contractor.

Funding the \$130 million requires using the entire Calaveras Dam project contingency and all of the Project Management Reserve. The Project Management Reserve was originally suggested by BAWSCA. It was used to hold the money saved from other projects and was managed by the Program Manager.

BAWSCA has asked the SFPUC to demonstrate if and how it will be able to complete the regional WSIP within budget. BAWSCA's concerns include the need to establish a contingency budget for the balance of the Calaveras Dam project, which is only 25% completed.

BAWSCA is working with the SFPUC to identify how much contingency is needed for this project, to consider whether a portion of the Program Management Reserve should be restored, and whether projects nearing completion could relinquish a portion of their contingencies to provide the necessary funds. BAWSCA has stated to the SFPUC that while the public can understand unexpected delays, the public will less likely tolerate cost increases.

The SFPUC has started examining these issues.

Director Weed asked whether a smaller dam might be more cost-effective than incurring the increased cost of this additional work. Mr. Jensen explained that in 2005 this particular project was found to be a far more cost-effective way to provide drought reliability than several alternatives examined by the SFPUC. He said the storage capacity of the reservoir will not be reduced by the new work and that the geological issues are now better known and better managed.

Mr. Jensen noted that while the budget for the entire WSIP is \$4.6 billion, about \$1 billion is for projects within San Francisco. Those projects did not require all \$1 billion, and one way the SFPUC will be able to cover some of the added costs is to use unspent money budgeted for projects inside San Francisco. Mr. Jensen stated that using those funds would increase the prior projections of wholesale water rates.

BAWSCA continues to meet with the SFPUC staff and Ms. Labonte has committed to addressing BAWSCA's concerns and providing written documentation of the budget impacts and of actions being taken to keep the program within budget. BAWSCA will continue its reviews and analyses and respond as necessary to protect the interest of its member agencies.

- C. **Board Policy Calendar:** Mr. Jensen reported that at the Board meeting in January, the Board will receive further information on the bond issuance, the mid-year budget review, FY 2013-14 budget preparations, and protecting customers from adverse impacts of draining Hetch Hetchy reservoir.

A preliminary FY 2013-14 work plan and budget, and a recommendation for consultant selection for the water demand projection will be presented to the Board in March. Finally, adoption of the work plan and budget for FY 2013-14 and approval of annual professional services contracts will be presented to the Board at its meeting in May.

7. Comments by Committee Members:

Director Pierce asked to be informed of whether Mr. Jensen will be in New York for the sale of the Bonds instead of at the Board meeting on January 17th.

Director Weed reported that Oro Loma Sanitary District is getting a grant to develop an Upland Ecotone levy project. This project would store discharges from wastewater treatment or the desalination, and create a transitional habitat for sea level rise. Director Weed noted that adaptation for sea level rise was one of the issues addressed at the recent ACWA conference. He passed around information for other Committee members to see.

- 8. Adjournment:** The meeting was adjourned at 3:00pm. The next meeting is February 13, 2013.

Respectfully submitted,



Arthur R. Jensen, Chief Executive Officer and Secretary

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Attachments: 1) Attendance Roster

BAY AREA WATER SUPPLY AND CONSERVATION AGENCY

BOARD POLICY COMMITTEE – August 8, 2012

Roster of Attendees:

Committee Members Present

Larry Klein, City of Palo Alto (Chair)
Rob Guzzetta, California Water Service Company (Vice-Chair)
Robert Anderson, Purissima Hills Water District
Randy Breault, City of Brisbane/GVMID
Jamie McLeod, City of Santa Clara
Irene O’Connell, City of San Bruno (BAWSCA Vice-Chair)
Barbara Pierce, Redwood City (BAWSCA Chair)
John Weed, Alameda County Water District

Committee Members Absent

Ruben Abrica, City of East Palo Alto
Tom Piccolotti, North Coast County Water District

BAWSCA Staff:

Art Jensen	CEO/General Manager
Nicole Sandkulla	Water Resources Planning Manager
Anona Dutton	Water Resources Planner
Christina Tang	Sr. Administrative Analyst
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP
David Brodsky	KNN Public Finance (by teleconference)

Public Attendees:

Tarun Narayan	City of Palo Alto
Nico Procos	City of Hayward
Michelle Sargent	San Francisco Public Utilities Commission
Michael Yee	Alameda County Water District