

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

**August 13, 2014 – 1:30 p.m.  
BAWSCA Offices, 155 Bovet Road, San Mateo, 1<sup>st</sup> Floor Conference Room**

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

Committee Vice-Chair Charlie Bronitsky called the meeting to order at 1:35 pm. A list of Committee members who were present (8), absent (2) and other attendees is attached.

The Committee took the following actions and discussed the following topics

**2. Comments by Chair:** Director Bronitsky welcomed the Committee members, and was pleased to Chair the meeting in absence of Director Mendall.

**3. Consent Calendar:** Approval of Minutes from the June 11, 2014 meeting.

**Director O’Connell made a motion, seconded by Director Pierce, that the minutes from the June 11, 2014 Board Policy Committee meeting be approved.**

**The motion passed. Director Bronitsky abstained.**

**4. Public Comment:** There were none.

**5. Discussion:**

Item #7A was moved as the next item on the agenda following Consent.

In response to Director Breault’s request at the July 17<sup>th</sup> BAWSCA Board meeting, Director O’Connell reported that she and the CEO/General Manager has reviewed the process BAWSCA should follow when it is requested to take a position on a public issue that might affect its constituents and would need to be implemented and communicated successfully by its Chief Executive Officer.

Director O’Connell will be appointing a sub-committee that will examine the appropriate process. The sub-committee will report back to the BPC so it can report back to the full Board.

**6. Action Items:**

**A. Resolution Approving Temporary Re-appointment of Arthur Jensen as Special Counsel to the CEO/General Manager:** Ms. Sandkulla reported that the temporary one-year appointment of Mr. Jensen as Special Counsel to the CEO/General Manager during FY 13-14 provided assistance on specific critical tasks and the CEO/General Manager transition. A one year re-appointment was anticipated for FY 14-15 specifically for critical tasks including the negotiations with San Francisco related to the classification of assets under the Water Supply Agreement. The adopted budget for FY 2014-15 includes an allocation of \$56,800 in anticipation of Mr. Jensen’s continued support.

The Board's adoption of a resolution is required to authorize the CEO/General Manager to re-appoint Mr. Jensen in full accordance with State law and PERS requirements.

Ms. Sandkulla explained that BAWSCA contracts with PERS to provide retirement benefits to eligible employees. Mr. Jensen is a retired annuitant entitled to receive retirement benefit payments under PERS. California law requires a retired PERS annuitant be re-instated to active PERS membership upon employment by a PERS-covered agency, unless the employee is temporarily appointed under specified conditions. The conditions are very specific. The appointment must be temporary and shall not exceed 960 hours for the year. The appointee must have specialized skills, receive a rate of pay that is neither less nor more than employees of comparable capacity, and is not receiving unemployment.

Ms. Sandkulla reported that Mr. Jensen's chargeable services during the 10-months that he served in this capacity in FY 13-14 were less than 260 hours. She anticipates the same level of hours for his re-appointment during FY 14-15.

In response to Director Pierce's question, Legal Counsel, Allison Schutte will investigate whether there is a cap on the number of times a re-appointment can be made.

**Director O'Connell made a motion, seconded by Director Vella, that the Committee recommend Board adoption of the resolution approving the reappointment of Arthur Jensen to the temporary position of Special Counsel to the CEO/General Manager, and making associated findings in support of such an appointment.**

**The motion passed unanimously.**

**6. Reports:**

- A. Water Supply Conditions: Ms. Sandkulla reported that overall, system storage is slightly over 60%. Hetch Hetchy reservoir is approximately 88% of maximum capacity, and is on target to hit a 250 acre feet of storage level on October 1<sup>st</sup>. However, while the storage level and drinking water reservoir are at normal level, Ms. Sandkulla reported that the water bank is significantly lower than where it would normally be because San Francisco is currently using it as the source of supply to meet its obligations with the irrigation districts.

Ms. Sandkulla reported that recent precipitation has put the year 2014 slightly above 2007. She stated that with a little bit more precipitation, it's possible that the last three years will no longer be the worst three years on record. However, while current conditions are not worse than the last drought, it continues to be a bad situation.

Ms. Sandkulla was pleased to report that water demand in the past 11 weeks has stayed down despite the warm weather. The system's total deliveries are below the targeted 10% reduction.

Director Weed asked about San Francisco's rates based on projected income.

Ms. Sandkulla explained that the SFPUC set its FY 2014-15 rates for wholesale customers based on an estimate of total combined retail and wholesale water sales of 211 mgd (68 mgd retail, 143 mgd wholesale). For drought planning purposes, the SFPUC has assumed actual combined retail and wholesale sales of 209 mgd, which reflects a 10% across the board reduction in the combined retail and wholesale water sales of 232 mgd (75 mgd

retail, 157 mgd wholesale). These estimated wholesale sales were based on a 10% reduction in the BAWSCA member agencies total purchase requests of 157 mgd for FY 2014-15. This conservative financial approach helps to avoid a major impact on revenues due to reduced water use. Individual agencies, however, may see an impact on its revenues, depending on how each agency set its water rates.

Director Weed suggested having a slide for the Board explaining San Francisco's rate projections and the impacts of reduced water use.

Cumulative water savings as of the week of August 5<sup>th</sup> is 90% of the targeted goal to date. She stated that this demonstrates the positive response of water customers to both the local and statewide drought messaging.

Ms. Sandkulla reported that BAWSCA has been working with the SFPUC on a regional drought campaign which launched on August 11<sup>th</sup>. The focus of the campaign is on San Mateo County and Alameda County as Santa Clara Valley Water District is targeting Santa Clara County. The media buy includes five billboards along I-280, 101 and El Camino Real spanning from Daly City to Belmont. Negotiations are underway for 30 second spots on Google/You Tube and Movie Theaters.

Water Management representatives were made aware that both static and 30 second commercials are available to them for their use at their request. All materials were produced by the SFPUC. The main artwork being emphasized in the BAWSCA service area highlights water use reduction in the landscape. This is consistent with the statewide message from the Governor for reduced outdoor water use.

**B. Long-Term Reliable Water Supply Strategy – Update on the Pilot Water Transfer Plan:**

Ms. Sandkulla reported that BAWSCA staff continues to work on the necessary agreements required to implement the pilot water transfer plan. BAWSCA meets regularly with EBMUD and Hayward staff to finalize transfer delivery details, and is closely monitoring EBMUD's water supply operations

Ms. Sandkulla reported that EBMUD is not planning to operate the Freeport Facility this Fall, and plans to defer that decision to early 2015, depending on water supply conditions. If dry conditions persist, EBMUD may consider operating the facility as early as December. If so, implementation of the pilot transfer plan will be considered from January into early Spring.

Director Weed noted that the operation of the Freeport facility would institute a rate surcharge to cover the operation cost of the Facility.

Ms. Sandkulla stated that the surcharge is significant, roughly 14-15%. She explained that EBMUD's system as a whole runs by gravity and their normal operating costs are fairly small. Operation of the Freeport facility requires a lot of pumping and treatment of the water supply, and is therefore an expensive operational cost for EBMUD.

Staff has been working closely with Hayward to thoroughly understand and work through the unique impacts the pilot transfer has on the City. Hayward is a critical player and their system is the connector between EBMUD and San Francisco.

Ms. Sandkulla explained that when the transfer is occurring, Hayward's system will be pressurized by running pumps 24/7. This is a 100% change in Hayward's distribution system operations, and a 100% switch to EBMUD for Hayward's source of supply, which has the potential for noticeable water quality differences.

Ms. Sandkulla stated that the reverse system operation and pumped flow can have adverse impacts to Hayward's distribution system. It increases the risk for failure of the distribution system components, and cause changes in the system pressure and flows, including fire flows.

The pilot water transfer does offer benefits to Hayward and BAWSCA member agencies. The pilot will test the viability of water transfers and identify the technical, financial and institutional issues of a potential long-term water transfer.

The pilot will also provide Hayward the opportunity to operate the Hayward Intertie, which was built for emergency use, during a non-emergency condition to assess impacts of north to south operations. Hayward now has the opportunity to develop plans and collect important real-time information needed to evaluate the effects of future water transfers.

BAWSCA and Hayward will continue to work together to identify and address potential issues associated with the operation of the Hayward Intertie, including the development of a public outreach and communications plan that address the water quality differences.

BAWSCA is working with the agencies involved to complete the necessary agreements and regulatory approvals by January 2015 for a possible implementation in the January through April timeframe.

- C. WSIP – Groundwater Storage and Recovery (GSR) Project: Ms. Sandkulla reported that at its August 12<sup>th</sup> meeting, the SFPUC adopted the CEQA findings on the Groundwater Storage and Recovery project, and authorized the General Manager to implement the agreements necessary for the project.

Ms. Sandkulla explained that the GSR is a dry-year water supply project in the WSIP that is essential to meeting San Francisco's Level of Service (LOS) goal. The agencies involved include the SFPUC, City of San Bruno, Cal Water, City of Daly City, and private well owners.

The agencies involved overly the groundwater basin of interest and are all parties to the agreement. Implementation of the project will necessitate changes to the Water Supply Agreement to protect the interests of both the wholesale customers and San Francisco.

Ms. Sandkulla explained that the project involves proposed groundwater recovery wells within the South Westside Groundwater Basin. The GSR project is proposed to store approximately 60,500 acre feet of water in the basin. This volume is equivalent to Upper and Lower Crystal Springs Reservoirs. There will be 16 new wells with the extraction

capability of 7.2 mgd. On an average annual basis, this amount provides up to 7.5 years of a drought supply.

The project is specifically focused on dry year supply and is designed to be able to provide 7.2 mgd in a dry year like this year. It's a great project to have online in today's conditions.

Currently, Cal Water, Daly City and San Bruno use both San Francisco and groundwater supply to meet their customer needs. Ms. Sandkulla explained that in normal years, they would stop using groundwater and take surplus surface water from San Francisco. The groundwater they would otherwise be using will be stored in the basin. When dry years occur, Cal Water, Daly City, and San Bruno would reduce or discontinue use of San Francisco's surface water supply so that it can be made available to other agencies and would instead pull from the groundwater storage basin to meet their customers' needs.

This is called a conjunctive use operation, which Ms. Sandkulla emphasized, puts the system's surplus surface water to effective use and allows groundwater to be stored for dry years.

Director Weed encouraged BAWSCA to closely monitor the groundwater legislation to ensure that it does not have unintended consequences that inhibits conjunctive use projects.

Ms. Sandkulla reported that San Francisco's review of the legislation, as currently amended, indicates no conflict at this time. San Francisco will follow developments of the legislation.

In response to Director Pierce, Ms. Sandkulla stated that there are price differentials for agencies that will switch between Hetch Hetchy water and groundwater supply. She explained that the agencies will receive surplus surface water, when available, from San Francisco at no charge. When groundwater supply is used, agencies will pay San Francisco the current going rate for the amount of water pumped from the basin.

The limitation on capacity is based on how much water can be pumped, the available sites to pump from, and how the level of the basin is managed.

Ms. Sandkulla explained that other existing overlying users in the basin are the cemeteries which are independent groundwater well users. Their records of water use are incomplete. Through the GSR project and the mitigation that was adopted as part of the project, the cemeteries have pledged to monitor their usage. A long-term vision is to provide recycled water delivered to these users.

Ms. Sandkulla stated that the 2009 WSA anticipated this project, but the project definition and scope continued to be defined since the finalization of the WSA. An amendment to the WSA is needed to define and classify required mitigation costs, and to clarify cost recovery and benefit recovery of the project in the event that the Operating Agreement is terminated.

BAWSCA is taking the lead in drafting the language for the amendment. The process will be similar to the recent Hetch Hetchy WSA amendment. The action to amend the WSA

will be taken by the governing boards of BAWSCA member agencies, and not by the BAWSCA Board.

Ms. Sandkulla will have more details on the amendment language at the September Board meeting, as well as the schedule for agency action.

Director Guzzetta noted that the GSR project has been discussed for over 20 years. Conjunctive use has been in place in the Los Angeles area for over 25 years. Conjunctive use is an effective way of recharging groundwater supply.

Ms. Sandkulla reported that the SFPUC's contract advertisement will begin in September 2014. The target completion of the WSA amendment is Fall/Winter of 2014. Construction is anticipated in the Spring of 2015 through 2017, with operation expected in 2018.

- D. Legislation: Ms. Sandkulla reported that SB 1345 passed the Assembly Appropriations Committee on August 6<sup>th</sup> under consent, and will now be going to the Assembly floor. Ms. Sandkulla reminded the Committee that the bill is a committee bill containing other language not directly related to BAWSCA. Following the Assembly floor vote, the bill will go back for a Senate floor vote for a late amendment by the author on language not directly related to BAWSCA.

BAWSCA is working closely with local Assembly Members, and will continue to keep the Board and agencies updated on developments.

- E. Board Policy Committee Calendar: Vice-Chair Bronitsky asked the members of the Committee to contact Nicole if they have items for the Board Policy Committee calendar.

**7. Comments by Committee Members:**

Director Pierce stated that it has been fascinating to follow the media coverage on the region's conservation efforts and how the 10% water use reduction is being met. She appreciates the work that BAWSCA did on clarifying the water use data and the thoughtful delivery of the message. She noted that Redwood City has received negative reactions to neighborhood developments when people are being asked to conserve water due to the drought. Redwood City will be developing a messaging strategy for its community to better understand the overall picture of the City's water use. She welcomed insights from other agencies that have the same experiences and welcomed collaboration to provide water customers a clear overall picture of the region's water use.

Secondly, she noted that the Chair has extended the deadline for completion of the performance evaluation for the CEO/General Manager. She encourages all members of the Committee and Board to complete their form.

Director Weed noted that there are water bonds that can potentially be available to local water purveyors. He encourages BAWSCA and member agencies to monitor its development and the opportunities it offers for agencies individually or collectively.

Director Weed attended the Hetch Hetchy tour in June and encourages members of the Board to participate in upcoming tour.

Director Breault asked about a follow up on the difference between the State Water Board and the SFPUC's results on the estimated economic impacts of drought.

Michael Hurley reported that BAWSCA is scheduled to meet with the SFPUC to discuss San Francisco's study of the economic impacts of drought.

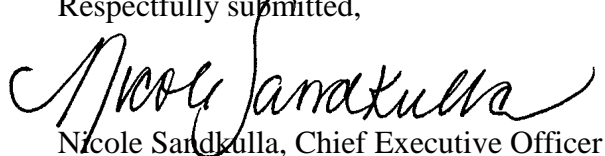
Director Pierce asked about the SFPUC's response to comments from Tuolumne River Trust on San Francisco's study.

In response to Director Pierce, Ms. Sandkulla reported that the SFPUC is preparing a response to Tuolumne River Trust's (TRT) comments on SFPUC's report. She added that SFPUC's report is a baseline analysis of the economic impacts and does not talk about the alternatives. That piece of information is currently being prepared by the SFPUC. BAWSCA is working closely with the SFPUC on this effort as BAWSCA's data for its Long-Term Reliable Water Supply will be used in the analysis.

Director Bronitsky reported that Foster City is looking at a pilot program to offer low interest loans to multi-family residents to convert their water meters to individual automated and wireless meters. He hopes to provide a progress report at the next meeting.

8. **Adjournment:** The meeting was adjourned at 2:17pm. The next meeting is October 8, 2014.

Respectfully submitted,



Nicole Sandkulla, Chief Executive Officer

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**

**BOARD POLICY COMMITTEE – August 13, 2014**

**Roster of Attendees:**

**Committee Members Present**

Charlie Bronitsky, City of Foster City (Vice Chair)  
Barbara Pierce, City of Redwood City  
Randy Breault, City of Brisbane/GVMID (BAWSCA Vice Chair)  
Rob Guzzetta, California Water Service Company  
Irene O’Connell, City of San Bruno (BAWSCA Chair)  
Tom Piccolotti, North Coast County Water District  
Louis Vella, Mid-Peninsula Water District  
John Weed, Alameda County Water District

**Committee Members Absent**

Al Mendall, City of Hayward (Chair)  
Kirsten Keith, City of Menlo Park

**BAWSCA Staff:**

Nicole Sandkulla	CEO/General Manager
Michael Hurley	Water Resources Manager
Adrienne Carr	Sr. Water Resources Specialist
Andree Johnson	Water Resources Specialist
Lourdes Enriquez	Assistant to the Chief Executive Officer
Allison Schutte	Legal Counsel, Hanson Bridgett, LLP

**Public Attendees:**

Michele Novotny San Francisco Public Utilities Commission