

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
AND  
SAN FRANCISCO BAY AREA  
REGIONAL WATER SYSTEM FINANCING AUTHORITY**

**SPECIAL MEETING OF THE BOARDS OF DIRECTORS  
Foster City Park & Recreation Center, 650 Shell Blvd., Foster City, CA  
October 3, 2003 – 9:30 a.m.**

**1. Call to Order/Roll Call – 9:40 a.m.**

Vice-Chair called the meeting to order at 9:40 a.m. Acting Secretary Art Jensen called the roll. Twenty-one (21) members of the Bay Area Water Supply & Conservation Agency (BAWSCA) and twenty-one (21) members of the Regional Financing Authority (RFA) were present, constituting a quorum for both groups. Additional members arrived after roll call. A list of all attendees and absentees is attached.

**2. Public Comments: None.**

**3. Background Briefings:** Acting General Manager/CEO Art Jensen noted that the purpose of the briefings was to create a foundation of understanding for future decision-making by the two boards.

- a. The Historical and Contractual Setting--Raker Act to Master Contract:** Acting legal counsel Ray McDevitt continued his presentation on the historical context for the Master Contract from the July 23<sup>rd</sup> meeting. Ray noted that each agency currently has two contracts with San Francisco: 1) the Master Contract and 2) an individual contract. He reviewed the overall structure of the Master Water Sales Contract, its basic principles, and the methodology to implement the principles, as well as procedures to put methodology into practice. Structurally, the Master Contract has one seller--the City/County of San Francisco--and thirty (original) wholesale water purchasers. The basic principles provide that costs related to inside San Francisco retail operations are paid 100% by San Francisco, as are costs related to power generation. Costs of the wholesale system are shared between San Francisco and wholesale customers based on relative use during each year. The methodology for allocating costs between the City and the wholesale customers is complex, but well defined. A Balancing Account provides a mechanism for recording credits and debits to reflect variances in projected costs and projected water usage (the Suburban Revenue Requirement) versus actual costs and water usage. Any resulting debits and credits are factored into future rates. The Master Contract works well, but requires constant vigilance to track allocation of costs and compliance with its various provisions. Wholesale rates may vary considerably, being tied directly to costs and water usage with little capacity to absorb or attenuate fluctuations.

A new or renewed contract will govern the relationship of the suburban purchaser with the City/County of San Francisco for generations. BAWSCA has the opportunity to formulate collective goals for the new Mater Contract.

- b. Introduction to Water Supply Issues:** Water Resources Analyst/Planner Nicole Sandkulla reviewed sources of supply and SFPUC purchases by the member agencies of BAWSCA and the RFA. She noted that the Supply Assurance of 184,000 mgd, apportioned among the Suburban Purchasers, is a contractual guarantee in the Master Contract, but will survive the expiration of the Contract in 2009. Individual agency supply assurances take on greater significance once the total purchases reach or exceed 184 mgd. While signatories to the Master Contract, San Jose and Santa Clara have no supply assurance, but have temporary, interruptible individual contracts. Hayward and Estero have individual contracts that extend beyond the expiration of the Master Contract. San Francisco maintains that it has no obligation to provide more than the 184 mgd Supply Assurance. However, the SFPUC's 2002 Strategic Plan incorporates development and adoption of system-wide water supply, reliability, and quality goals, and a study of the wholesale customers' demand projections is underway.

Accomplishments on water supply issues to-date include the Water Supply Master Plan in 2000, the Interim Water Shortage Allocation Plan in 2001, and establishment of a water conservation program in 2000, and participation in the development of SFPUC's Long-term Strategic Plan, and ongoing planning and implementation of the Capital Improvement Program.

BAWSCA members have a diversity of water resources at their disposal, but they are still heavily dependent upon the SFPUC's regional system. They will need to work independently and collectively to minimize their dependence through conservation, reclamation, groundwater/conjunctive use, and joint projects. Specific results to be achieved this fiscal year include (1) evaluating BAWSCA water conservation opportunities; 2) identifying when agreement with the SFJPU must be reached on specific contractual matters; 3) producing a water supply assessment; 4) drafting potential elements of a Water Service Contract; and 5) administering the water conservation assistance program.

- c. Connecting the Dots—Policy Issues, Purpose, Goals and Results:** Art Jensen noted that the legislation enabling the creation of BAWSCA was developed in response to the Suburban Purchasers' concerns about their relationship with the SFPUC and the SFPUC's ability to protect the public health, safety, and wellbeing of their customers. BAWSCA's authorities under AB 2058 include the ability to buy and sell water and water rights; develop, store, and transport water; sell/deliver water wholesale; and acquire, construct, operate and maintain facilities, improvements and property to carry out these authorities. BAWSCA's overriding goals are to ensure that its members have a reliable supply of high quality water at a fair price.

Ten policy issues articulated in April of 2001 still constitute the foundation for BAWSCA's objectives. These include 1) That the system get rebuilt cost-effectively, with BAWSCA monitoring implementation of AB 1823; 2) That the cost of improvements be fairly allocated; 3) That future water needs be met; 4) That there be adequate supplies during droughts; 5) That communities prepare for

potential water outages; 6) That agencies implement cost-effective water conservation activities; 7) That water received must meet drinking water standards; 9) That a new Master Contract be in place prior to 2009; and 10) That there be ongoing support of efforts to protect health, safety and economic wellbeing.

Art concluded his presentation with a review of objectives to be achieved by the end of December 2003 and June 2004.

**December 31, 2003 Objectives**

**June 30, 2004 Objectives**

Determine whether San Francisco has completed AB 1823 requirements for this calendar year;	Determine whether San Francisco has completed requirements in AB 1823 due by June 30, 2004.
Examine and evaluate evidence of whether San Francisco can rebuild the system and is on a trajectory to get job done;	Update whether San Francisco can rebuild the water system and is on a trajectory to get the job done.
Identify when agreement must be reached with San Francisco on specific matters (e.g., allocating the costs to fix the system);	Draft principles for fair allocation of costs to fix the regional water system.
Evaluate BAWSCA's water conservation opportunities and recommend BAWSCA activities that provide significant added value;	As first steps in preparing communities to cope with potential outages of the regional water system prior to it being fixed, determine: (1) Water availability to BAWSCA agencies following a major disruption and long-term outage of the regional water system; (2) the preparedness of those communities that face potential serious water outages to cope with the resulting community impacts.
Review San Francisco's revised plan for financing the CIP and find out if SF will use the Regional Financing Authority;	Assess future water supply needs and how to meet them.
Develop strategies to create a positive public identity for BAWSCA and maintain support by BAWSCA's allies.	Implement the public identity and allies-support strategies.
	Implement five cost-effective water conservation programs.

A copy of the slide presentations by each of the speakers was distributed at the meeting. Copies may also be obtained by calling the BAWSCA office at (650) 349-3000.

**4. Director Comments:** None

5. **Adjournment:** There being no further business, the meeting was adjourned at 12:05 p.m. The next meeting of BAWSCA will be held on November 20, location to be determined by staff. The next meeting of the RFA will be January 16, 2004.

Respectfully submitted,

Arthur R. Jensen, Acting General Manager/CEO  
and Acting Secretary

ARJ/GE

Attachments: 1) Attendance Rosters

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
Special Meeting of the Board of Directors  
October 3, 2003**

**Attendance Roster**

**Present:**

John Weed	Alameda County Water District
Lee Panza	City of Brisbane
Rosalie O'Mahony	City of Burlingame
Chris Mickelsen	Coastside County Water District
Adrienne Tissier	City of Daly City
Rick Wykoff	City of Foster City
Randy Breault	Guadalupe Valley Water District
Roberta Cooper	City of Hayward
Charles Kinney	City of Menlo Park
Louis Vella	Mid-Peninsula Water District
Mike Kasperzak	City of Mountain View
Tom Piccolotti	North Coast County Water District
Bern Beecham	City of Palo Alto
Ira Ruskin	City of Redwood City
Irene O'Connell	City of San Bruno
Aldyth Parle	City of Santa Clara
Chris Reynolds	Skyline County Water District
Mike Goff	Stanford University
Tim Risch	City of Sunnyvale
Jean Auer	Town of Hillsborough
Robert Craig	Westborough Water District

**Absent:**

Peter Nelson	California Water Service Company
David Woods	City of East Palo Alto
Stan Gage	Los Trancos County Water District
Marc Hershman	City of Millbrae
Robert Livengood	City of Milpitas
Daniel Seidel	Purissima Hills Water District
Chuck Reed	City of San Jose

**SAN FRANCISCO BAY AREA  
REGIONAL WATER SYSTEM FINANCING AUTHORITY  
Special Meeting of the Board of Directors  
October 3, 2003**

**Attendance Roster**

**Present:**

John Weed	Alameda County Water Distict
Rich Gordon	California Water Service Co. Service Area
Lee Panza	City of Brisbane
Rosalie O'Mahony	City of Burlingame
Chris Mickelsen	Coastside County Water District
Adrienne Tissier	City of Daly City
Rick Wykoff	City of Foster City
Randy Breault	Guadalupe Valley Water District
Roberta Cooper	City of Hayward
Charles Kinney	City of Menlo Park
Louis Vella	Mid-Peninsula Water District
Mike Kasperzak	City of Mountain View
Tom Piccolotti	North Coast County Water District
Bern Beecham	City of Palo Alto
Ira Ruskin	City of Redwood City
Irene O'Connell	City of San Bruno
Aldyth Parle	City of Santa Clara
Dan DeYoung	Stanford University
Tim Risch	City of Sunnyvale
Jean Auer	Town of Hillsborough
Robert Craig	Westborough Water District

**Absent**

Ed Harrington	City/County of San Francisco
David Woods	City of East Palo Alto
Chuck Reed	City of San Jose
Stan Gage	Los Trancos County Water District
Marc Hershman	City of Millbrae
Robert Livengood	Milpitas
Daniel Seidel	Purissima Hills Water District
Marguerite Kaufman	Skyline County Water District