

# COASTSIDE COUNTY WATER DISTRICT

766 MAIN STREET

HALF MOON BAY, CA 94019

## MEETING OF THE BOARD OF DIRECTORS

Tuesday, August 11, 2009- 7:00 p.m.

### AGENDA

The Coastside County Water District (CCWD) does not discriminate against persons with disabilities. Upon request, the agenda and agenda packet materials can be provided in a format to accommodate special needs. If you require a copy of the agenda or related materials in an alternative format to accommodate a disability, or if you wish to attend this public meeting and will require special assistance or other special equipment, please call the District at (650) 726-4405 in advance and we will make every reasonable attempt to provide such an accommodation.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the CCWD District Office, located at 766 Main Street, Half Moon Bay, CA at the same time that the public records are distributed or made available to the legislative body.

*This agenda and accompanying materials can be viewed on Coastside County Water District's website located at: [www.coastsidewater.org](http://www.coastsidewater.org).*

The Board of the Coastside County Water District reserves the right to take action on any item included on this agenda.

- 1) ROLL CALL
- 2) PLEDGE OF ALLEGIANCE
- 3) PUBLIC ANNOUNCEMENTS

*Any person may address the Board of Directors at the commencement of the meeting on any matter within the jurisdiction of the Board that is not on the agenda for this meeting. Any person may address the Board on an agenda item when that item is called. The Chair requests that each person addressing the Board limits their presentation to three (3) minutes and complete and submit a Speaker Slip.*

#### 4) CONSENT CALENDAR

The following matters before the Board of Directors are recommended for action as stated by the General Manager.

**All matters listed hereunder constitute a Consent Calendar, are considered as routine by the Board of Directors, and will be acted upon by a single vote of the Board. There will be no separate discussion of these items unless a member of the Board so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.**

- A. Requesting the Board to review disbursements for the month ending July 31, 2009 - Claims: \$332,157.61; Payroll: \$67,809.87 for a total of \$399,967.48 ([attachment](#))
- B. Acceptance of Financial Reports ([attachment](#))
- C. Minutes of the July 14, 2009 Board of Directors Meeting ([attachment](#))
- D. Monthly Water Transfer Report ([attachment](#))
- E. Installed Water Connection Capacity and Water Meters Report ([attachment](#))
- F. Total CCWD Production Report ([attachment](#))
- G. CCWD Monthly Sales by Category Report ([attachment](#))
- H. July 2009 Leak Report ([attachment](#))
- I. Rainfall Reports ([attachment](#))
- J. San Francisco Public Utilities Commission Hydrological Conditions Report for July 2009 ([attachment](#))
- K. Pilarcitos Well # 1 Rehabilitation ([attachment](#))

#### 5) MEETINGS ATTENDED / DIRECTOR COMMENTS

#### 6) GENERAL BUSINESS

- A. Approval of the New Water Supply Agreement with San Francisco and of Coastside County Water District's Individual Agency Water Sales Contract ([attachment](#))
- B. California Special Districts Association (CSDA) - 2009 Board Elections - Region 3, Seat A ([attachment](#))
- C. Water Reclamation Update ([attachment](#))
- D. Connection Sale Survey ([attachment](#))

- 7) **GENERAL MANAGER'S REPORT INCLUDING MONTHLY INFORMATIONAL REPORTS** ([attachment](#))
  - A. Water Resources Report ([attachment](#))
  - B. Water Shortage and Drought Contingency Plan Update ([attachment](#))
  - C. Operations Report ([attachment](#))
  
- 8) **DIRECTOR AGENDA ITEMS - REQUESTS FOR FUTURE BOARD MEETINGS**
  
- 9) **ADJOURNMENT**

<u>Check Number</u>	<u>Vendor No</u>	<u>Vendor Name</u>	<u>Check Date</u>	<u>Void Amount</u>	<u>Check Amount</u>
13500	ALL04	ALLIED WASTE SERVICES #925	07/10/2009	0.00	236.50
13501	ALV01	ALVES PETROLEUM, INC.	07/10/2009	0.00	1,742.81
13502	ASS01	HEALTH BENEFITS AUTHORITY (HBA	07/10/2009	0.00	18,019.16
13503	ASS08	ASSOC. CALIF. WATER AGENCY	07/10/2009	0.00	11,664.00
13504	ATT01	AT&T MOBILTY	07/10/2009	0.00	515.47
13505	HAR03	HARTFORD LIFE INSURANCE CO.	07/10/2009	0.00	2,476.00
13506	KAI01	KAISER FOUNDATION HEALTH	07/10/2009	0.00	8,609.00
13507	PAC01	PACIFIC GAS & ELECTRIC CO.	07/10/2009	0.00	16,382.95
13508	PAC02	PACIFICA CREDIT UNION	07/10/2009	0.00	866.50
13509	UB*00636	BONNIE MC CLUNG	<b>VOID</b> 07/10/2009	6.71	0.00
13510	UB*00637	MATTHEW SWEER	<b>VOID</b> 07/10/2009	8.81	0.00
13511	UB*00638	VIOLET MUDRICH	<b>VOID</b> 07/10/2009	75.00	0.00
13512	UB*00639	STEPHANIE/KENNETH HILDENBRAND	<b>VOID</b> 07/10/2009	75.00	0.00
13513	UB*00640	PER JAKOBSEN	<b>VOID</b> 07/10/2009	6.52	0.00
13514	UB*00641	AMBER ANDERSON	<b>VOID</b> 07/10/2009	31.71	0.00
13515	VAL01	VALIC	07/10/2009	0.00	1,270.00
13516	COU05	RECORDER'S OFFICE	07/16/2009	0.00	50.00
13517	COU05	RECORDER'S OFFICE	07/22/2009	0.00	12.00
13518	COU05	RECORDER'S OFFICE	07/22/2009	0.00	12.00
13519	COU05	RECORDER'S OFFICE	07/22/2009	0.00	12.00
13520	COU05	RECORDER'S OFFICE	07/23/2009	0.00	22.00
13521	COA 15	COASTSIDE NET, INC	07/24/2009	0.00	59.95
13522	HAR03	HARTFORD LIFE INSURANCE CO.	07/24/2009	0.00	2,476.00
13523	MET06	METLIFE SBC	07/24/2009	0.00	1,307.25
13524	PAC02	PACIFICA CREDIT UNION	07/24/2009	0.00	750.00
13525	PUB01	PUB. EMP. RETIRE SYSTEM	07/24/2009	0.00	33,453.68
13526	SAN03	SAN FRANCISCO WATER DEPT.	07/24/2009	0.00	74,999.97
13527	TEA02	TEAMSTERS LOCAL UNION #856	07/24/2009	0.00	720.00
13528	VAL01	VALIC	07/24/2009	0.00	1,270.00
13529	ADP01	ADP, INC.	07/28/2009	0.00	497.45
13530	ASS04	ASSOC.CALIF.WATER AGENCIES	07/28/2009	0.00	497.04
13531	ATT02	AT&T	07/28/2009	0.00	1,228.46
13532	ATT03	AT&T LONG DISTANCE	07/28/2009	0.00	52.68
13533	AZT01	AZTEC GARDENS	07/28/2009	0.00	190.00
13534	BAR03	BARTLE WELLS ASSOCIATES	07/28/2009	0.00	3,505.00
13535	BAR05	DEBORAH BARRELLA	07/28/2009	0.00	148.79
13536	BAS01	BASIC CHEMICAL SOLUTION, LLC	07/28/2009	0.00	7,721.32
13537	BAY05	BAY AREA WATER SUPPLY &	07/28/2009	0.00	7,997.00
13538	BLU01	BPS REPROGRAPIC SERVICES	07/28/2009	0.00	12.35
13539	BOR01	BORGES & MAHONEY, INC.	07/28/2009	0.00	351.85
13540	CAL08	CALCON SYSTEMS, INC.	07/28/2009	0.00	19,113.27
13541	CAR02	CAROLYN STANFIELD	07/28/2009	0.00	485.00
13542	CIN01	CINTAS FIRST AID & SAFETY	07/28/2009	0.00	1,349.08
13543	COA 14	COASTSIDE CARPET CLEANERS	07/28/2009	0.00	495.00
13544	COA02	JERRY GARCIA	07/28/2009	0.00	298.65
13545	COA19	COASTSIDE COUNTY WATER DIST.	07/28/2009	0.00	165.20
13546	COM01	COMMUNICATION LEASING SERVICES	07/28/2009	0.00	1,462.40
13547	CUM01	CUMMINS WEST, INC.	07/28/2009	0.00	12,745.10
13548	DAT01	DATAPROSE, INC	07/28/2009	0.00	2,326.35
13549	DAV03	JOHN DAVIS	07/28/2009	0.00	200.00
13550	DAY01	DAY-TIMERS, INC.	07/28/2009	0.00	38.17
13551	DEL07	DEL GAVIO GROUP	07/28/2009	0.00	7,566.45
13552	EKI01	EKI INC.	07/28/2009	0.00	3,755.45
13553	FIR06	FIRST NATIONAL BANK	07/28/2009	0.00	1,262.02
13554	FRI01	FRISCH ENGINEERING, INC	07/28/2009	0.00	2,572.50
13555	GER01	GERBOTH FIRE EXTINGUISHER	07/28/2009	0.00	467.29
13556	GOL04	GOLDEN STATE FLOW MEASUREMENT	07/28/2009	0.00	729.63
13557	GRA01	GRANDFLOW, INC.	07/28/2009	0.00	257.79
13558	HAL01	HMB BLDG. & GARDEN INC.	07/28/2009	0.00	27.86
13559	HAL04	HALF MOON BAY REVIEW	07/28/2009	0.00	1,230.00
13560	HAL24	H.M.B.AUTO PARTS	07/28/2009	0.00	73.04
13561	HAN01	HANSONBRIDGETT. LLP	07/28/2009	0.00	20,626.00

<u>Check Number</u>	<u>Vendor No</u>	<u>Vendor Name</u>	<u>Check Date</u>	<u>Void Amount</u>	<u>Check Amount</u>
13562	HAN04	HANSEN INFORMATION TECHNOLOGY	07/28/2009	0.00	2,228.54
13563	HDS01	HD SUPPLY WATERWORKS, LTD	07/28/2009	0.00	164.82
13564	HEA01	HEALTHWORKS	07/28/2009	0.00	50.00
13565	IAP01	IAPMO	07/28/2009	0.00	45.00
13566	IED01	IEDA, INC.	07/28/2009	0.00	1,000.00
13567	IRO01	IRON MOUNTAIN	07/28/2009	0.00	271.00
13568	IRV01	IRVINE CONSULTING SERVICES, IN	07/28/2009	0.00	2,060.00
13569	IRV02	IRVINE CONSULTING SERVICES, IN	07/28/2009	0.00	166.61
13570	JAM01	JAMES FORD, INC.	07/28/2009	0.00	48.50
13571	MEN01	MARISELA MENDEZ	07/28/2009	0.00	154.99
13572	MIS01	MISSION UNIFORM SERVICES INC.	07/28/2009	0.00	141.36
13573	MOH01	LARRY MOHR	07/28/2009	0.00	150.00
13574	MON01	DARIN BOVILLE	07/28/2009	0.00	600.00
13575	MON07	MONTEREY COUNTY LAB	07/28/2009	0.00	10,359.00
13576	OCE04	OCEAN SHORE CO.	07/28/2009	0.00	943.62
13577	OFF01	OFFICE DEPOT	07/28/2009	0.00	954.68
13578	ONL01	ONLINE RESOURCES	07/28/2009	0.00	150.00
13579	ONT01	ONTRAC	07/28/2009	0.00	319.25
13580	PAR01	JOHN M. PARSONS	07/28/2009	0.00	1,500.00
13581	PIT04	PITNEY BOWES	07/28/2009	0.00	231.00
13582	PUM01	PUMP REPAIR SERVICE CO. INC.	07/28/2009	0.00	14,731.25
13583	RED01	RED WING SHOES	07/28/2009	0.00	176.43
13584	RED02	RED WING SHOE STORE	07/28/2009	0.00	188.43
13585	RIC01	RICOH AMERICAS CORPORATION	07/28/2009	0.00	1,399.81
13586	ROB01	ROBERTS & BRUNE CO.	07/28/2009	0.00	4,713.99
13587	ROG01	ROGUE WEB WORKS, LLC	07/28/2009	0.00	285.00
13588	SAN05	SAN MATEO CTY PUBLIC HEALTH LA	07/28/2009	0.00	493.80
13589	SER03	SERVICE PRESS	07/28/2009	0.00	418.00
13590	SEW01	SEWER AUTH. MID- COASTSIDE	07/28/2009	0.00	570.00
13591	SIG01	SIGNET TESTING LABS, INC	07/28/2009	0.00	170.00
13592	STA03	CA DPH DRINKING WATER PROGRAM	07/28/2009	0.00	60.00
13593	STR02	STRAWFLOWER ELECTRONICS	07/28/2009	0.00	6.50
13594	TET01	JAMES TETER	07/28/2009	0.00	9,879.40
13595	UB*00642	PAUL CHEE	07/28/2009	0.00	32.58
13596	UB*00643	BONNIE MC CLUNG	07/28/2009	0.00	43.29
13597	UB*00644	GAYLE CIARDI	<b>VOID</b> 07/28/2009	132.77	0.00
13598	UB*00645	MATTHEW SWEER	07/28/2009	0.00	66.19
13599	UB*00646	ELIZABETH VINGO	07/28/2009	0.00	9.18
13600	UB*00647	SHIRISH PATEL/ARVIND TANDEL	07/28/2009	0.00	6.13
13601	UB*00648	PER JAKOBSEN	07/28/2009	0.00	43.26
13602	UND01	UNDERGROUND SERVICE ALERT	07/28/2009	0.00	281.16
13603	UPS01	UPS STORE	07/28/2009	0.00	19.17
13604	VEL07	WENDY VELEZ	07/28/2009	0.00	140.00
13605	WES11	WEST COAST AGGREGATES, INC.	07/28/2009	0.00	215.15
13606	WIL02	WILKINSON ENTERPRISES, INC	07/28/2009	0.00	110.00
13607	WIN01	RAYMOND WINCH	07/28/2009	0.00	185.09
<b>Report Total:</b>				<b>336.52</b>	<b>332,157.61</b>

**COASTSIDE COUNTY WATER DISTRICT - PERIOD BUDGET ANALYSIS**  
**31-Jul-09**

<b>ACCOUNT</b>	<b>DESCRIPTION</b>	<b>CURRENT ACTUAL</b>	<b>CURRENT BUDGET</b>	<b>B/(W) VARIANCE</b>	<b>B/(W) % VAR</b>	<b>YTD ACTUAL</b>	<b>YTD BUDGET</b>	<b>B/(W) VARIANCE</b>	<b>B/(W) % VAR</b>
<b>REVENUE</b>									
1-0-4120-00	Water Revenue -All Areas	596,516	786,698	(190,182)	(24.2%)	596,516	786,698	(190,182)	(24.2%)
1-0-4170-00	Water Taken From Hydrants	250	2,083	(1,833)	(88.0%)	250	2,083	(1,833)	(88.0%)
1-0-4180-00	Late Notice -10% Penalty	4,552	4,167	385	9.2%	4,552	4,167	385	9.2%
1-0-4230-00	Service Connections	289	667	(377)	(56.6%)	289	667	(377)	(56.6%)
1-0-4235-00	CSP Connection T & S Fees	0	0	0	0.0%	0	0	0	0.0%
1-0-4920-00	Interest Earned	9,854	16,387	(6,533)	0.0%	9,854	16,387	(6,533)	(39.9%)
1-0-4925-00	Interest Revenue T&S Fees	0	0	0	0.0%	0	0	0	0.0%
1-0-4927-00	Inerest Revenue Bond Funds	0	0	0	0.0%	0	0	0	0.0%
1-0-4930-00	Tax Apportionments/Cnty Checks	24,707	0	24,707	0.0%	24,707	0	24,707	0.0%
1-0-4950-00	Miscellaneous Income	296	3,083	(2,787)	(90.4%)	296	3,083	(2,787)	(90.4%)
1-0-4955-00	Cell Site Lease Income	7,072	6,850	222	3.2%	7,072	6,850	222	3.2%
1-0-4960-00	CSP Assm. Dist. Processing Fee	0	0	0	0.0%	0	0	0	0.0%
1-0-4965-00	ERAF REFUND -County Taxes	0	0	0	0.0%	0	0	0	0.0%
1-0-4970-00	Wavecrest Reserve Conn. Fees	0	0	0	0.0%	0	0	0	0.0%
<b>REVENUE TOTALS</b>		<b>643,537</b>	<b>819,935</b>	<b>(176,398.19)</b>	<b>(21.5%)</b>	<b>643,537</b>	<b>819,935</b>	<b>(176,398)</b>	<b>(21.5%)</b>
<b>EXPENSES</b>									
1-1-5130-00	Water Purchased	75,000	165,182	90,182	54.6%	75,000	165,182	90,182	54.6%
1-1-5230-00	Pump Exp, Nunes T P	2,144	1,583	(561)	(35.4%)	2,144	1,583	(561)	(35.4%)
1-1-5231-00	Pump Exp, CSP Pump Station	5,654	37,365	31,711	84.9%	5,654	37,365	31,711	84.9%
1-1-5232-00	Pump Exp, Trans. & Dist.	7,565	2,226	(5,339)	(239.9%)	7,565	2,226	(5,339)	(239.9%)
1-1-5233-00	Pump Exp, Pilarcitos Can.	257	120	(137)	(114.1%)	257	120	(137)	(114.1%)
1-1-5234-00	Pump Exp. Denniston Proj.	0	6,790	6,790	100.0%	0	6,790	6,790	100.0%
1-1-5235-00	Denniston T.P. Operations	2,162	3,861	1,699	44.0%	2,162	3,861	1,699	44.0%
1-1-5236-00	Denniston T.P. Maintenance	658	2,111	1,453	68.8%	658	2,111	1,453	68.8%
1-1-5240-00	Nunes T P Operations	5,759	6,428	669	10.4%	5,759	6,428	669	10.4%
1-1-5241-00	Nunes T P Maintenance	25,795	3,167	(22,628)	(714.5%)	25,795	3,167	(22,628)	(714.5%)
1-1-5242-00	CSP Pump Station Operations	589	708	119	16.8%	589	708	119	16.8%
1-1-5243-00	CSP Pump Station Maintenance	1,376	2,313	937	40.5%	1,376	2,313	937	40.5%
1-1-5250-00	Laboratory Services	11,188	6,250	(4,938)	0.0%	11,188	6,250	(4,938)	0.0%
1-1-5318-00	Studies/Surveys/Consulting	4,967	1,879	(3,089)	(164.4%)	4,967	1,879	(3,089)	(164.4%)
1-1-5321-00	Water Conservation	3,352	5,054	1,702	33.7%	3,352	5,054	1,702	33.7%
1-1-5322-00	Community Outreach	1,385	2,392	1,007	42.1%	1,385	2,392	1,007	42.1%
1-1-5411-00	Salaries & Wages -Field	64,010	69,821	5,811	8.3%	64,010	69,821	5,811	8.3%
1-1-5412-00	Maintenance -General	5,611	26,708	21,097	79.0%	5,611	26,708	21,097	79.0%

ACCOUNT	DESCRIPTION	CURRENT ACTUAL	CURRENT BUDGET	B/(W) VARIANCE	B/(W) % VAR	YTD ACTUAL	YTD BUDGET	B/(W) VARIANCE	B/(W) % VAR
1-1-5414-00	Motor Vehicle Expense	2,307	3,958	1,652	41.7%	2,307	3,958	1,652	41.7%
1-1-5415-00	Maintenance -Well Fields	0	1,250	1,250	100.0%	0	1,250	1,250	100.0%
1-1-5610-00	Salaries/Wages-Administration	44,785	49,739	4,954	10.0%	44,785	49,739	4,954	10.0%
1-1-5620-00	Office Supplies & Expense	9,328	10,929	1,601	14.7%	9,328	10,929	1,601	14.7%
1-1-5621-00	Computer Services	5,052	3,988	(1,065)	(26.7%)	5,052	3,988	(1,065)	(26.7%)
1-1-5625-00	Meetings / Training / Seminars	2,440	1,667	(773)	(46.4%)	2,440	1,667	(773)	(46.4%)
1-1-5630-00	Insurance	42,567	98,820	56,252	56.9%	42,567	98,820	56,252	56.9%
1-1-5640-00	Employees Retirement Plan	32,430	34,442	2,012	5.8%	32,430	34,442	2,012	5.8%
1-1-5645-00	SIP 401K Plan	0	1,667	1,667	100.0%	0	1,667	1,667	100.0%
1-1-5681-00	Legal	15,556	4,333	(11,223)	(259.0%)	15,556	4,333	(11,223)	(259.0%)
1-1-5682-00	Engineering	1,379	1,250	(129)	(10.3%)	1,379	1,250	(129)	(10.3%)
1-1-5683-00	Financial Services	1,500	2,583	1,083	41.9%	1,500	2,583	1,083	41.9%
1-1-5684-00	Payroll Tax Expense	8,375	8,627	252	2.9%	8,375	8,627	252	2.9%
1-1-5687-00	Membership, Dues, Subscript.	5,802	7,485	1,682	22.5%	5,802	7,485	1,682	22.5%
1-1-5688-00	Election Expenses	0	0	0	0.0%	0	0	0	0.0%
1-1-5689-00	Labor Relations	1,000	1,000	0	0.0%	1,000	1,000	0	0.0%
1-1-5700-00	San Mateo County Fees	0	0	0	0.0%	0	0	0	0.0%
1-1-5705-00	State Fees	0	0	0	0.0%	0	0	0	0.0%
1-1-5710-00	Deprec, Trucks, Tools, Equipt.	0	0	0	0.0%	0	0	0	0.0%
1-1-5711-00	Debt Svc/Existing Bonds 1998A	0	0	0	0.0%	0	0	0	0.0%
1-1-5712-00	Debt Svc/Existing Bonds 2006B	0	0	0	0.0%	0	0	0	0.0%
1-1-5713-00	Contribution to CIP & Reserves	43,121	43,121	0	0.0%	43,121	43,121	0	0.0%
1-1-5745-00	CSP Connect. Reserve Contribu.	0	0	0	0.0%	0	0	0	0.0%
1-1-5746-00	Wavcrest CSP Connt. Reserve	0	0	0	0.0%	0	0	0	0.0%
<b>EXPENSE TOTALS</b>		<b>433,114</b>	<b>618,816</b>	<b>185,702</b>	<b>30.0%</b>	<b>433,114</b>	<b>618,816</b>	<b>185,702</b>	<b>30.0%</b>
<b>NET INCOME</b>		<b>210,423</b>	<b>201,119</b>	<b>9,304</b>		<b>210,423</b>	<b>201,119</b>	<b>9,304</b>	

**COASTSIDE COUNTY WATER DISTRICT**

**INVESTMENT REPORT**

July 31, 2009

		<i>Restricted</i>	<i>Restricted</i>	<i>Restricted for CSP CIP Projects</i>		
	<b>CASH FLOW &amp; OPERATING RESERVE</b>	<b>EMERGENCY RESERVES</b>	<b>CAPITAL EXPENDITURES</b>	<b>DISTRICT CSP CONTRIBUTION</b>	<b>CSP T&amp;S FEES</b>	<b>TOTAL</b>
<b>DISTRICT BALANCES</b>						
<u>CASH IN FNB</u>						
OPERATING ACCOUNT			\$471,462.75			\$471,462.75
CSP T&S ACCOUNT					\$22,807.73	\$22,807.73
TOTAL FIRST NATIONAL BANK	\$0.00	\$0.00	\$471,462.75	\$0.00	\$22,807.73	\$494,270.48
CASH WITH L.A.I.F	\$297,900.00	\$1,699,005.00	\$1,629,676.27	\$0.00	\$20,789.94	\$3,647,371.21
UNION BANK - Project Fund Balance			\$2,324,846.56			\$2,324,846.56
CASH ON HAND	\$2,130.00					\$2,130.00
<b>TOTAL DISTRICT CASH BALANCES</b>	<b>\$300,030.00</b>	<b>\$1,699,005.00</b>	<b>\$4,425,985.58</b>	<b>\$0.00</b>	<b>\$43,597.67</b>	<b>\$6,468,618.25</b>
<b>ASSESSMENT DISTRICT BALANCES</b>						
<u>CASH IN FIRST NATIONAL BANK (FNB)</u>						
REDEMPTION ACCOUNT		\$ 86,747.26				
RESERVE ACCOUNT (Closed Account 8-4-04)		\$ -				
<b>TOTAL ASSESSMENT DISTRICT CASH</b>		<b>\$ 86,747.26</b>				
<i>This report is in conformity with CCWD's Investment Policy and there are sufficient funds to meet CCWD's expenditure requirements for the next three months.</i>						

**COASTSIDE COUNTY WATER DISTRICT  
APPROVED CAPITAL IMPROVEMENT PROJECTS  
FISCAL YEAR 2009-2010**

Acct No.	Approved CIP Budget FY 09/10	Actual To Date FY 09/10	% Completed
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**PIPELINE PROJECTS**

Main Street/Hwy 92 Widening Project	1120-93	\$ 20,000		0.0%
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**WATER TREATMENT PLANTS**

Denniston Intake Maintenance	1120-03	\$ 80,000		0.0%
Denniston WTP - Intake Construction		\$ 100,000		
Nunes - Floc Drive Repair		\$ 50,000		
Nunes Filter Media Replacement	1121-25	\$ 50,000	\$ 170	0.3%

**FACILITIES & MAINTENANCE**

District Space Planning		\$ 25,000		
AMR Program	1121-41	\$ 400,000		0.0%
PRV Valves Replacement Project	1121-43	\$ 20,000		0.0%
Meter Change Program	1117-06	\$ 18,000		0.0%
Fire Hydrant Replacement	1121-49	\$ 40,000		0.0%
Pilarcitos Culvert Repair	1121-48	\$ 200,000		0.0%

**EQUIPMENT PURCHASE & REPLACEMENT**

Vehicle Replacement	1118-04	\$ 28,000		0.0%
Computer System	1118-02	\$ 5,000		0.0%
Office Equipment/Furniture	1118-02	\$ 3,000		0.0%
SCADA/Telemetry/electrical controls	1120-82	\$ 250,000	\$ 2,573	1.0%

**PUMP STATIONS / TANKS / WELLS**

Alves Tank Recoating (Interior/Exterior)		\$ 300,000		0.0%
Cahill Tank Ladder Replacement		\$ 15,000		0.0%
Crystal Springs Check Valve Repair/Replacement		\$ 100,000		0.0%
Crystal Springs Re-roof and Paint		\$ 50,000		0.0%
Crystal Springs Soft Starts 1 & 3		\$ 25,000		0.0%
EG Tank #1 Pump Station Pump Replacement		\$ 23,000		0.0%
EG Tank #1 Security Fence		\$ 20,000		0.0%

**COASTSIDE COUNTY WATER DISTRICT  
APPROVED CAPITAL IMPROVEMENT PROJECTS  
FISCAL YEAR 2009-2010**

	<b>Acct No.</b>	<b>Approved CIP Budget FY 09/10</b>	<b>Actual To Date FY 09/10</b>	<b>% Completed</b>
Hazen's Tank Fence Upgrade		\$ 10,000		0.0%
Miramar Tank Interior Recoating/Mixing		\$ 230,000	\$ 614	0.3%
New Pilarcitos Well		\$ 25,000		0.0%
Pilarcitos Canyon Blending Station		\$ 100,000		0.0%
Well Rehabilitation		\$ 40,000	\$ 14,731	36.8%

**NUNES/ DENNISTON WTP PRIORITY (SHORT-TERM) IMPROVEMENTS**

Nunes / Denniston Short Term WTP Modifications	1121-21	\$ 600,000	\$ 9,896	1.6%
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**DENNISTON WTP (LONG-TERM) IMPROVEMENTS (MEMBRANE FILTRATION)**

Denniston Pre/Post Treatment Design	1127-04	\$ 350,000	\$ 130	0.0%
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**NUNES WTP (LONG-TERM) IMPROVEMENTS (UV DISINFECTION)**

Modify Filters for Rate of Flow Control		\$ 10,000		0.0%
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**WATER SUPPLY DEVELOPMENT**

Reclamation Project Planning	1127-00	\$ 100,000	\$ 3,250	3.3%
Water Supply Alternatives Evaluation		\$ 50,000		0.0%

<b>TOTALS</b>		<b>\$ 3,337,000</b>		<b>0.0%</b>
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**FY 08/09 CIP Projects - paid in FY 09/10**

Office Equipment - Furniture	1118-02	\$ 7,566
Denniston Storage Tank Modification Project	1121-40	\$ 22
Nunes (was Denniston) Cl2/ph Analyzer	1118-10	\$ 7,421

**NON-BUDGETED ITEMS (CAPITAL EXPEDITURES) FOR CURRENT FISCAL YEAR 09/10**

**Legal Cost Tracking Report  
12 Months At-A-Glance**

**Acct. No.5681  
Patrick Miyaki - HansonBridgett, LLP  
Legal**

<b>Month</b>	<b>Admin (General Legal Fees)</b>	<b>Recycle Water Analysis</b>	<b>Transfer Program</b>	<b>CIP</b>	<b>Personnel</b>	<b>Lawsuits</b>	<b>Infrastructure Project Review  (Reimbursable)</b>	<b>TOTAL</b>
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<b>Dec-08</b>	4,167	182						4,349
<b>Jan-09</b>	1,354		1,508	2,193				5,055
<b>Feb-09</b>	2,651			494			3,978	7,123
<b>Mar-09</b>	4,212	494		113			3,134	7,953
<b>Apr-09</b>	3,588	7,670	754	1,222			104	13,338
<b>May-09</b>	3,210	1,300		3,000			442	7,952
<b>Jun-09</b>	7,454	2,002	182	52				9,690
<b>Jul-10</b>	15,556	3,250	1,222	364			234	20,626

<b>TOTAL</b>	<b>42,192</b>	<b>14,898</b>	<b>3,666</b>	<b>7,437</b>	<b>0</b>	<b>0</b>	<b>7,892</b>	<b>76,085</b>
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**Engineer Cost Tracking Report  
12 Months At-A-Glance**

**Acct. No. 5682  
JAMES TETER  
Engineer**

<b>Month</b>	<b>Admin &amp; Retainer</b>	<b>Phase 3 EG Pipeline</b>	<b>CIP</b>	<b>Short Term WTP Imprv.</b>	<b>Studies &amp; Projects</b>	<b>TOTAL</b>	<b>Reimbursable from Projects</b>
<b>Aug-08</b>	1,563		782	8,782	1,486	<b>12,613</b>	1,486
<b>Sep-08</b>	641		531	12,930	2,887	<b>16,988</b>	2,887
<b>Oct-08</b>	480		11,603	3,220	1,771	<b>17,074</b>	1,771
<b>Nov-08</b>	480		11,849	81	1,820	<b>14,229</b>	1,820
<b>Dec-08</b>	281		14,110	81	3,740	<b>18,211</b>	1,820
<b>Jan-09</b>	2,825		566	2,372	5,022	<b>10,784</b>	5,022
<b>Feb-09</b>	2,529			14,082	1,501	<b>18,112</b>	1,501
<b>Mar-09</b>	1,071		825	9,703	1,369	<b>12,967</b>	1,369
<b>Apr-09</b>	561		161	7,744	3,357	<b>11,822</b>	3,357
<b>May-09</b>	1,526		2,774	1,940	5,915	<b>12,154</b>	5,915
<b>Jun-09</b>	480	322	2,496		7,420	<b>10,718</b>	7,420
<b>Jul-10</b>	1,379			6,010	2,490	<b>9,879</b>	2,490
<b>TOTAL</b>	<b>13,816</b>	<b>322</b>	<b>45,696</b>	<b>66,943</b>	<b>38,775</b>	<b>165,552</b>	<b>36,856</b>

*COASTSIDE COUNTY WATER DISTRICT*

*766 MAIN STREET*

*HALF MOON BAY, CA 94019*

**MINUTES OF THE BOARD OF DIRECTORS MEETING**

**Tuesday, July 14, 2009**

- 1) **ROLL CALL:** President Mickelsen called the meeting to order at 7:00 p.m. Present at roll call were Directors Ken Coverdell, Bob Feldman, and Everett Ascher. Director Larimer was absent

Also present were: David Dickson, General Manager; Patrick Miyaki, Legal Counsel; Joe Guistino, Superintendent of Operations; Cathleen Brennan, Public Outreach/Program Development /Water Resources Analyst; JoAnne Whelen, Administrative Assistant/Recording Secretary; and Gina Brazil, Office Manager.

- 2) **PLEDGE OF ALLEGIANCE**

- 3) **PUBLIC ANNOUNCEMENTS:** There were no public announcements.

- 4) **SPECIAL ORDER OF BUSINESS**

Resolution 2009-04 - A Resolution of the Board of Directors of the Coastside County Water District expressing gratitude to Chris Mickelsen for his leadership and dedicated service in his capacity as a Board member of the Bay Area Supply & Conservation Agency (BAWSCA) and the Bay Area Regional Water Supply Financing Authority (RFA)

President Mickelsen turned the gavel over to Vice-President Feldman for this Special Order of Business agenda item. Vice-President Feldman presented and read the Resolution recognizing President Mickelsen.

Director Coverdell commented that he had recently had the opportunity to meet with Art Jensen, General Manager of BAWSCA, who had

expressed that President Mickelsen had performed an outstanding job and would truly be missed on the BAWSCA and RFA Board of Directors.

Director Ascher thanked President Mickelsen for his service to the District and to the community, noting that he had done a superb job in serving an important role with the BAWSCA and RFA agencies as CCWD's representative and was delighted with this fine tribute recognizing his accomplishments.

**ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted as follows, by roll call vote, to adopt Resolution 2009-04 - A Resolution of the Board of Directors of the Coastside County Water District expressing its gratitude to Chris Mickelsen for his dedicated service and commitment in his capacity as a member of the Board of Directors of the Bay Area Water Supply & Conservation District and the Bay Area Regional Water System Financing Authority:**

<b>Director Coverdell</b>	<b>Aye</b>
<b>Vice-President Feldman</b>	<b>Aye</b>
<b>Director Larimer</b>	<b>Absent</b>
<b>Director Ascher</b>	<b>Aye</b>
<b>President Mickelsen</b>	<b>Aye</b>

**5) PUBLIC HEARING - PROPOSED RATE INCREASE**

- Public Hearing to consider proposed Amendment of Rate and Fee Schedule to increase water rates up to 12%
- Consider Resolution 2009-05- A Resolution of the Board of the Coastside County Water District Amending the Rate and Fee Schedule to Increase Water Rates
- Approval of Fiscal Year 2009-2010 Operations & Maintenance Budget and Capital Improvement Program For Fiscal Years 2009-2010 through 2018-2019

President Mickelsen opened the Public Hearing at 7:09 p.m. Mr. Dickson provided a brief background of the fiscal year 2009-2010 proposed budget and highlights of the proposed increase in water rates. Upon completion of his presentation, President Mickelsen opened the session for public comments.

Paul Perkovic - Montara - commented that even during these difficult economic times, the majority of utility companies in the Bay Area are raising rates. He provided some facts and figures in regards to the Montara Water & Sanitary District's rate increases over the years. He suggested that CCWD possibly look into revising their tier rates, which could possibly provide some financial assistance to customers on a fixed-income. He also suggested that changing rate classifications, from agricultural to visitor serving, could offer some financial assistance to those customers as well.

George Muteff - 408 Redondo Beach Road, Half Moon Bay - suggested that the District cut increases to the employee wage and benefits budget. He also encouraged expansion of the Denniston Reservoir Project and development of a recycled water project.

Dennis Kleinbach - 705 Pilarcitos Avenue, Half Moon Bay - Expressed concern with the rate increase during the current difficult state of the economy and suggested the budget be re-set to a level from a few years ago.

Joe Lanthier - Principle Officer of Teamsters Local Union 856 - Stated that the Local Union 856 has a contract with CCWD and is currently in negotiations again with management for concessions. He also clarified that the District does not pay dues to the Union.

With there being no further comments from the public, President Mickelsen closed the public hearing portion of the meeting at 7:26 p.m.

Discussion ensued among the Board members, with each of the Directors making comments about the budget and proposed rate increase. Director Coverdell addressed the public and emphasized that there had been a series of meetings where the budget had been presented and discussed in great detail, including careful evaluation of the funding of the capital improvement program. He commented on several factors involved in arriving at the proposed rate increase, including the rate increase from the San Francisco Public Utilities Commission (SFPUC), and the level of experience, competency, requirements, and qualifications necessary from the staff to operate the District's water system.

Director Ascher thanked the public for their comments, and reiterated that the District had discussed the budget and proposed rate increase at two finance committee meetings and two meetings of the Board of Directors,

all of which were open for attendance by the public. He further commented that, despite difficult economic times, the District must continue to deliver high quality water to the community and that many of the associated costs are at fixed rates, including the rate increases imposed by the SFPUC. He agreed that the proposed rate increase is necessary and reasonable to fulfill the needs and obligations of the community.

Director Feldman expressed concerns with the proposed rate increase and recommended that the Board consider a rate increase of less than 12%.

At this time, Mr. Dickson read a statement submitted by Director Larimer, who was unable to attend the Board meeting. The statement expressed his opposition to a rate increase of 12% and suggested a rate increase not to exceed 7%.

President Mickelsen stated that many good points had been raised by the Board and the public. He referenced the several written protests received and proceeded to address some of the concerns expressed by the public. The Board continued to discuss various rate increase options and scenarios.

**ON MOTION by Director Ascher and seconded by Director Coverdell, a rate increase of 9% for Fiscal Year 2009-2010 was proposed, followed by further discussion. An Amendment to limit the amount to be cut from the reserve account to only 1%, with the remaining 2% to be removed from other categories of the budget was proposed by Director Coverdell; however, the Amendment was not accepted. Director Ascher proposed that the Board approve the 9% rate increase for FY 2009-2010, with the proviso that the Board may revisit the possibility of an additional rate increase in approximately six months, if circumstances warrant, which was seconded by Director Feldman. An Amendment to increase the FY 2009-2010 rates by 10% was then proposed by President Mickelsen, which was accepted by Director Ascher. The Board voted as follows, by roll call vote, to adopt Resolution 2009-05 Amending the Rate & Fee Schedule to increase water rates by 10%:**

Director Coverdell	Aye
Vice-President Feldman	Aye
Director Larimer	Absent
Director Ascher	Aye
President Mickelsen	Aye

Closing discussion of this matter at 8:32 p.m., President Mickelsen announced that there would be a short recess. The meeting was reconvened at 8:45 p.m., at which time the Board concluded the necessary action to complete agenda item 5.

**ON MOTION by President Mickelsen and seconded by Director Feldman, the Board voted, by roll call vote, to approve the Fiscal Year 2009-2010 Operations and Maintenance Budget and Capital Improvement Program for Fiscal Years 2009-2010 through 2018-2019:**

<b>Director Coverdell</b>	<b>Aye</b>
<b>Vice-President Feldman</b>	<b>Aye</b>
<b>Director Larimer</b>	<b>Absent</b>
<b>Director Ascher</b>	<b>Aye</b>
<b>President Mickelsen</b>	<b>Aye</b>

**6) CONSENT CALENDAR**

- A.** Requesting the Board to review disbursements for the month Ending June 30, 2009 - Claims: \$406,215.47; Payroll: \$72,960.32 for a total of \$479,175.79
- B.** Acceptance of Financial Reports
- C.** Minutes of the June 9, 2009 Board of Directors Meeting
- D.** Minutes of the June 17, 2009 Special Board of Directors Meeting
- E.** Monthly Water Transfer Report
- F.** Installed Water Connection Capacity and Water Meters Report
- G.** Total CCWD Production Report
- H.** CCWD Monthly Sales by Category Report
- I.** June 2009 Leak Report
- J.** Rainfall Reports
- K.** S.F.P.U.C. Hydrological Conditions Report for June 2009
- L.** Notice of Completion - Denniston Storage Tank Modification Project

**ON MOTION by President Mickelsen and seconded by Vice-President Feldman, the Board voted as follows, by roll call vote, to accept the Consent Calendar in its entirety:**

<b>Director Coverdell</b>	<b>Aye</b>
<b>Vice-President Feldman</b>	<b>Aye</b>
<b>Director Larimer</b>	<b>Absent</b>
<b>Director Ascher</b>	<b>Aye</b>
<b>President Mickelsen</b>	<b>Aye</b>

**7) MEETINGS ATTENDED / DIRECTOR COMMENTS**

Director Ascher advised that he would be attending the upcoming Association of California Water Agencies Joint Powers Commission (ACWA/JPIA) meeting in Roseville. Director Coverdell notified the Board that he would be attending the Hetch Hetchy Tour. President Mickelsen reported that he had recently met with a Director of the Montara Water & Sanitary District Board Recycled Water Subcommittee.

**8) GENERAL BUSINESS**

**A. Approval to Award Contract for the Miramar Tank Coating Project**

Mr. Dickson introduced this item, informed the Board that seven bids had been received, all of which were over \$230,000, and stated that Mr. Guistino would be providing further information regarding the project. Mr. Guistino provided details of the background, including the present condition of the tank and elaborated on the required repairs, modifications, and improvements necessary to the Miramar Tank.

**ON MOTION by Director Coverdell and seconded by Director Ascher, the Board voted as follows, by roll call vote, to award the contract for the Miramar Tank Coating Project to Crosno Construction Company in the amount of \$232,700:**

Director Coverdell	Aye
Vice-President Feldman	Aye
Director Larimer	Absent
Director Ascher	Aye
President Mickelsen	Aye

**B. Consider approval of Resolution 2009-06 Establishing Appropriations Limit Applicable to District during fiscal year 2009-2010**

Mr. Dickson explained the nature of this agenda item and informed the Board that because the appropriations limit is far in excess of the amount of "proceeds of taxes" available to the District, the increase will not have any effect upon the District's budget this year or in the foreseeable future.

**ON MOTION by Director Ascher and seconded by President Mickelsen, the Board voted as follows, by roll call vote, to adopt Resolution 2009-06 Establishing Appropriations Limit Applicable to the District during Fiscal Year 2009-2010:**

<b>Director Coverdell</b>	<b>Aye</b>
<b>Vice-President Feldman</b>	<b>Aye</b>
<b>Director Larimer</b>	<b>Absent</b>
<b>Director Ascher</b>	<b>Aye</b>
<b>President Mickelsen</b>	<b>Aye</b>

**C. Association of California Water Agencies (ACWA) Region 5 Election for 2010-2011 Term**

Mr. Dickson advised that this agenda item allows the Board an opportunity to nominate a District Board Member to serve on the ACWA Region 5 Board, noting that Director Ascher has currently been serving this position.

Director Ascher stated that he found this role to be extremely beneficial, had proved to be a wonderful learning opportunity and highly recommended that CCWD continue to have a representative participate and serve on the Region 5 Board.

**ON MOTION by President Mickelsen and seconded by Director Coverdell, the Board voted as follows, by roll call vote, to adopt Resolution 2009-07, Placing into Nomination, Robert Feldman, as a Board Member of the Association of California Water Agencies, Region 5:**

<b>Director Coverdell</b>	<b>Aye</b>
<b>Vice-President Feldman</b>	<b>Aye</b>
<b>Director Larimer</b>	<b>Absent</b>
<b>Director Ascher</b>	<b>Aye</b>
<b>President Mickelsen</b>	<b>Aye</b>

**9) GENERAL MANAGER'S REPORT INCLUDING MONTHLY INFORMATIONAL REPORTS**

Mr. Dickson reviewed the highlighted topics in the report; consisting of an update regarding water reclamation, details of recent negotiations with the San Francisco Public Utilities Commission for the new Water Supply Agreement, and an update on the Midcoast Local Coastal Plan.

- A. Monthly Water Resources Report
- B. Water Shortage and Drought Contingency Plan Update
- C. Operations Report

The Board had no questions regarding the monthly water resources report or the water shortage and drought contingency plan update. Mr. Guistino addressed a question from Director Coverdell regarding the Operations Report.

**10) DIRECTOR AGENDA ITEMS - REQUESTS FOR FUTURE BOARD MEETINGS**

There were no requests for future agenda items.

**11) ADJOURNMENT**

**ON MOTION by Director Ascher and seconded by President Mickelsen, the Board voted unanimously to adjourn the July 14, 2009 meeting of the Coastside County Water District's Board of Directors:**

Director Coverdell	Aye
Vice-President Feldman	Aye
Director Larimer	Absent
Director Ascher	Aye
President Mickelsen	Aye

The meeting was adjourned at 9:31 p.m. The next regular meeting of the Coastside County Water District's Board of Directors is scheduled for Tuesday, August 11, 2009.

Respectfully submitted,

---

David R. Dickson, General Manager  
Secretary of the Board

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Chris R. Mickelsen, President  
Board of Directors  
Coastside County Water District

# ***STAFF REPORT***

**To: Coastside County Water District Board of Directors**

**From: David Dickson, General Manager**

**Agenda: August 11, 2009**

Report

Date: July 27, 2009

**Subject: Monthly Water Transfer Report**

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## **Recommendation:**

None. For Board information purposes only.

## **Background:**

At the December 10, 2002 Board meeting and November 18, 2003 Special Board meeting, the Board made several changes to the District's water transfer policy. One of the changes directed the General Manager to approve routine water transfer applications that met the District's criteria as embodied in Resolution 2002-17 and Resolution 2003-19. The General Manager was also directed to report the number of water transfers approved each month as part of the monthly Board packet information.

Since the previous Board meeting in July 2009, three transfer applications were approved for 3---5/8" (20 gpm) non-priority water service connections. A spreadsheet reporting the transfers for the month of July 2009 follows this report as well as the approvals from Patrick Miyaki and the confirmation letters from Glenna Lombardi.

**APPROVED WATER TRANSFERS FOR THE 2009 CALENDAR YEAR**

<b>DONATING APN</b>	<b>RECIPIENT APN</b>	<b>PROPERTY OWNERS</b>	<b># OF CONNECTIONS</b>	<b>DATE</b>
037-320-270	047-153-450	Corado-McComas L.P. to Valente	1-----5/8" non-priority	Jul-09
037-320-270	047-153-460	Corado-McComas L.P. to Valente	1-----5/8" non-priority	Jul-09
037-320-270	047-212-150	Corado-McComas L.P. to Welch	1-----5/8" non-priority	Jul-09

## Memorandum

VIA ELECTRONIC MAIL

**TO:** Glenna Lombardi  
**FROM:** Patrick T. Miyaki  
**DATE:** July 21, 2009  
**RE:** Applications to Transfer Uninstalled Non-Priority Water Service Connections

---

Glenna, I reviewed the two Applications to transfer an uninstalled non-priority water service connection from Corado McComas, L.P. to Laurence J. Valente (APN 047-153-450 and APN 047-153-460). The Applications are generally in order and satisfy the requirements of the District's General Regulations Regarding Water Service, Section U, Transfer of Uninstalled Water Service Connection Rights.

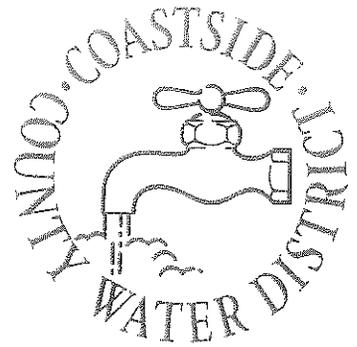
Please do not hesitate to contact me if you have any questions or want to discuss this matter in more detail.

cc: David Dickson

July 22, 2009

Corado, Inc./Corado-McComas L.P.  
1717 N. Bayshore Drive #1432  
Miami, Florida 33132

Laurence J. Valente  
25354 La Rena Lane  
Los Altos Hills, CA 94022



Dear Property Owners:

RE: Request to Transfer Uninstalled Non-Priority Crystal Springs Project Water Service Connections

Dear Property Owners:

We are pleased to confirm that the Coastsides County Water District has **approved** your request to transfer two---5/8" (20 gpm) non-priority Crystal Springs Project water service connections. The result of these transfers is as follows:

- **APN 037-320-270** continues to have the remaining rights to 12.5---5/8" uninstalled, non-priority water service connections from the Coastsides County Water District; and
- **APN 047-153-450** now has the right to one---5/8" (20 gpm) non-priority water service connection from the Crystal Springs Project; and
- **APN 047-153-460** now has the right to one---5/8" (20 gpm) non-priority water service connection from the Crystal Springs Project.

Please be advised that the City Council of the City of Half Moon Bay has taken the position that the transfer of a water service connection meets the definition of "development" so as to require a coastal development permit from the City. Applicants are advised to investigate this issue further with the Half Moon Bay Planning Department if applicable. The Coastsides County Water District, in approving this application, does not make any representations or warranties with respect to further permits or approvals required by other governmental agencies, including the City of Half Moon Bay.

Sincerely,

  
Glenna Lombardi

Cc: David Dickson, General Manager

## Memorandum

VIA ELECTRONIC MAIL

TO: Glenna Lombardi  
FROM: Patrick T. Miyaki  
DATE: July 21, 2009  
RE: Application to Transfer an Uninstalled Non-Priority Water Service Connection

---

Glenna, I reviewed the Application to transfer an uninstalled non-priority water service connection from Corado McComas, L.P. to David Welch. The Application is generally in order and satisfies the requirements of the District's General Regulations Regarding Water Service, Section U, Transfer of Uninstalled Water Service Connection Rights.

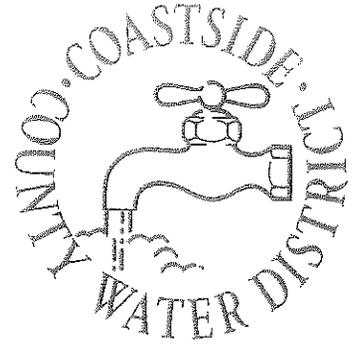
Please do not hesitate to contact me if you have any questions or want to discuss this matter in more detail.

cc: David Dickson

July 22, 2009

Corado, Inc./Corado-McComas L.P.  
1717 N. Bayshore Drive #1432  
Miami, Florida 33132

David Welch  
P.O. Box 2685  
El Granada, CA 94018



Dear Property Owners:

RE: Request to Transfer an Uninstalled Non-Priority Crystal Springs Project Water Service Connection

Dear Property Owners:

We are pleased to confirm that the Coastside County Water District has **approved** your request to transfer one---5/8" (20 gpm) non-priority Crystal Springs Project water service connection. The result of this transfer is as follows:

- **APN 037-320-270** continues to have the remaining rights to 11.5—5/8" uninstalled, non-priority water service connections from the Coastside County Water District; and
- **APN 047-212-150** now has the right to one—5/8" (20 gpm) non-priority water service connection from the Crystal Springs Project.

Please be advised that the City Council of the City of Half Moon Bay has taken the position that the transfer of a water service connection meets the definition of "development" so as to require a coastal development permit from the City. Applicants are advised to investigate this issue further with the Half Moon Bay Planning Department if applicable. The Coastside County Water District, in approving this application, does not make any representations or warranties with respect to further permits or approvals required by other governmental agencies, including the City of Half Moon Bay.

Sincerely,

A handwritten signature in cursive script that reads "Glenna Lombardi".

Glenna Lombardi

Cc: David Dickson, General Manager



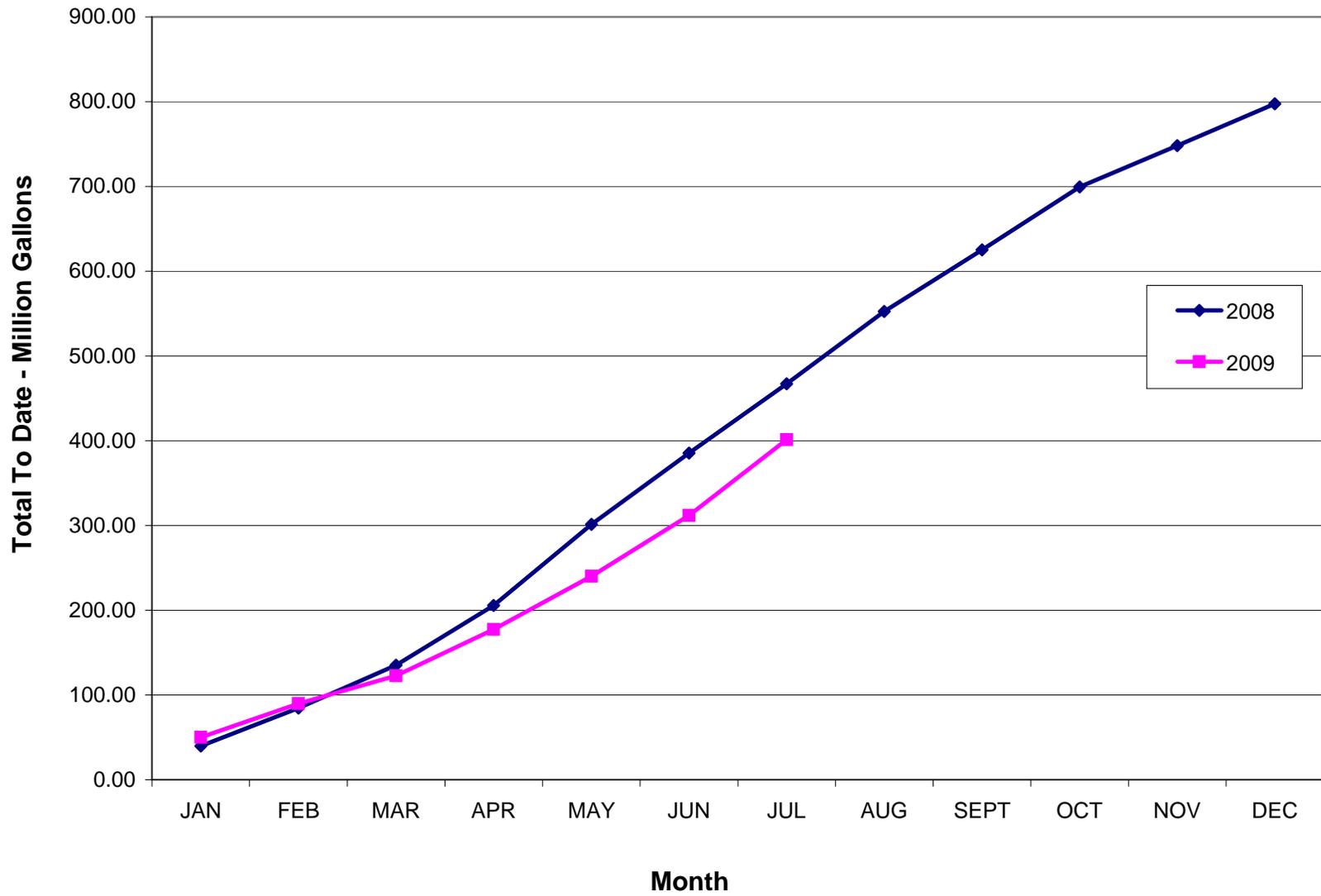
**TOTAL CCWD PRODUCTION (MG) ALL SOURCES-2009**

	<b>PILARCITOS WELLS</b>	<b>PILARCITOS LAKE</b>	<b>DENNISTON WELLS</b>	<b>DENNISTON RESERVOIR</b>	<b>CRYSTAL SPRINGS RESERVOIR</b>	<b>RAW WATER TOTAL</b>	<b>IN-PLANT USAGE AND UNMETERED WATER</b>	<b>TREATED TOTAL</b>
<b>JAN</b>	1.56	0.00	0.00	0.78	52.21	54.55	4.46	50.09
<b>FEB</b>	4.19	5.11	0.00	0.00	33.52	42.82	3.08	39.74
<b>MAR</b>	1.12	35.08	0.00	0.00	0.00	36.20	3.21	32.99
<b>APR</b>	0.00	58.566	0.30	0.76	0.00	59.63	5.17	54.46
<b>MAY</b>	0.00	49.27	2.43	12.46	3.77	67.93	5.00	62.93
<b>JUN</b>	0.00	57.09	2.38	11.07	5.84	76.38	4.74	71.64
<b>JUL</b>	0.00	1.78	0.00	1.27	90.10	93.15	3.64	89.52
<b>AUG</b>								
<b>SEPT</b>								
<b>OCT</b>								
<b>NOV</b>								
<b>DEC</b>								
<b>TOTAL</b>	6.87	206.90	5.11	26.34	185.44	430.66	29.289	<b>401.37</b>
<b>% TOTAL</b>	1.6%	48.0%	1.2%	6.1%	43.1%	100.0%	6.8%	93.2%

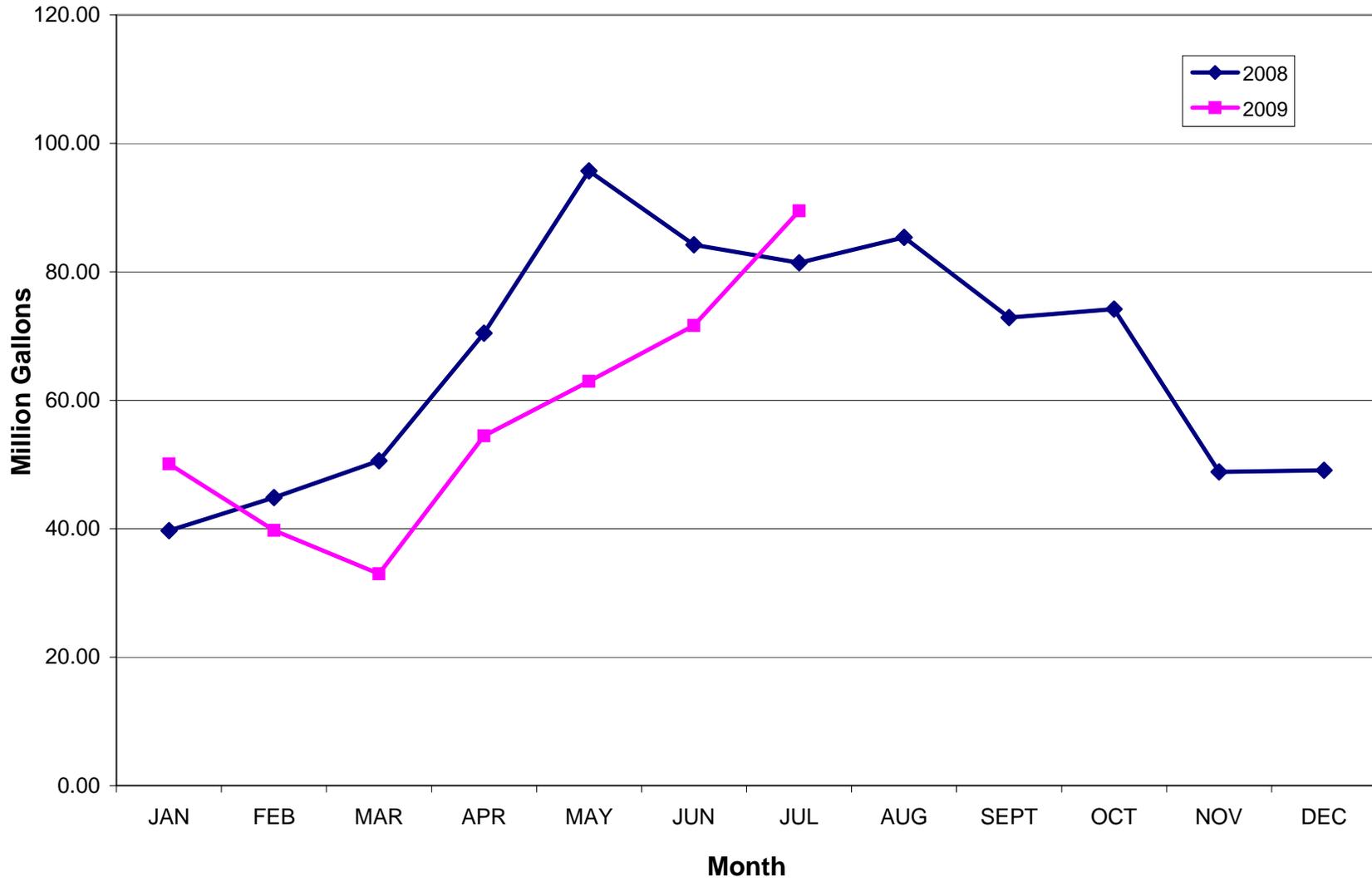
**12 Month Running Treated Total**

**731.80**

Cumulative Production 2009 vs. 2008



Monthly Production 2009 vs. 2008



**Coastside County Water District Monthly Sales By Category (MG)  
2009**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	MG to Date
RESIDENTIAL	23.097	35.336	18.88	37.224	23.718	48.096	29.420						215.77
COMMERCIAL	5.456	0.952	4.953	1.188	5.552	1.217	6.815						26.13
RESTAURANT	2.623	0.123	2.585	0.12	2.872	0.126	3.196						11.65
HOTELS/MOTELS	3.755	0.085	3.39	0.088	3.928	0.115	4.721						16.08
SCHOOLS	0.737	0.034	0.509	0.043	1.615	0.12	2.884						5.94
MULTI DWELL	1.863	1.331	2.533	1.277	2.441	1.435	2.872						13.75
BEACHES/PARKS	0.405	0.017	0.305	0.052	0.818	0.101	1.049						2.75
FLORAL	9.622	0.242	11.549	0.241	16.427	0.158	13.865						52.10
RECREATIONAL	0	0.17	0.046	0.221	0.055	0.203	0.070						0.77
MARINE	1.006	0	0.812	0	0.802	0	0.966						3.59
IRRIGATION	2.042	1.247	1.076	1.213	0.728	2.418	17.384						26.11
Portable Meters	0	0.371	0	0.193	0	0.362	0.000						0.93
<b>TOTAL - MG</b>	<b>50.61</b>	<b>39.91</b>	<b>46.64</b>	<b>41.86</b>	<b>58.96</b>	<b>54.35</b>	<b>83.24</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>375.56</b>

Running 12 Month Total

680.92

**Coastside County Water District Monthly Sales By Category (MG)  
2008**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	MG to Date
RESIDENTIAL	21.17	31.05	19.64	36.623	28.871	53.578	30.064	53.703	29.785	46.449	23.142	36.05	410.13
COMMERCIAL	5.38	1.1	6.17	1.23	6.781	1.477	7.938	1.441	7.877	1.238	5.593	1.026	47.25
RESTAURANT	1.96	0.04	2.13	0.053	2.887	0.045	3.231	0.026	2.673	0.127	3.722	0.123	17.02
HOTELS/MOTELS	4.48	0.24	4.5	0.138	5.305	0.136	5.671	0.158	5.778	0.126	1.831	0.088	28.45
SCHOOLS	0.93	0.07	0.86	0.068	2.224	0.171	3.515	0.115	3.428	0.103	0.332	0.052	11.87
MULTI DWELL	4.51	6.08	4.38	5.921	5.146	6.365	5.762	6.217	5.382	6.054	2.759	2.828	61.40
BEACHES/PARKS	0.38	0.01	0.28	0.025	0.786	0.064	1.173	0.079	0.993	0.094	0.568	0.009	4.46
FLORAL	17.55	0.21	17.31	0.227	22.968	0.293	16.961	0.35	15.601	0.306	6.556	0.292	98.62
RECREATIONAL	0.07	0.16	0.06	0.174	0.096	0.209	0.111	0.228	0.12	0.2	0.065	0.167	1.66
MARINE	1.15	0	0.32	0	0.402	0	0.37	0	1.143	0	0.943	0	4.33
IRRIGATION	3.12	0.48	0.12	1.476	14.77	3.251	28.197	3.333	17.651	2.634	0.382	1.695	77.11
PORTABLE METERS	0	0.33	0	0.284	0	1.296	0	1.587	0	1.735	0	0.403	
<b>MG</b>	<b>60.70</b>	<b>39.77</b>	<b>55.77</b>	<b>46.22</b>	<b>90.24</b>	<b>66.89</b>	<b>102.99</b>	<b>67.24</b>	<b>90.43</b>	<b>59.07</b>	<b>45.89</b>	<b>42.73</b>	<b>767.93</b>

**Coastside County Water District  
Monthly Leak Report  
July 2009**

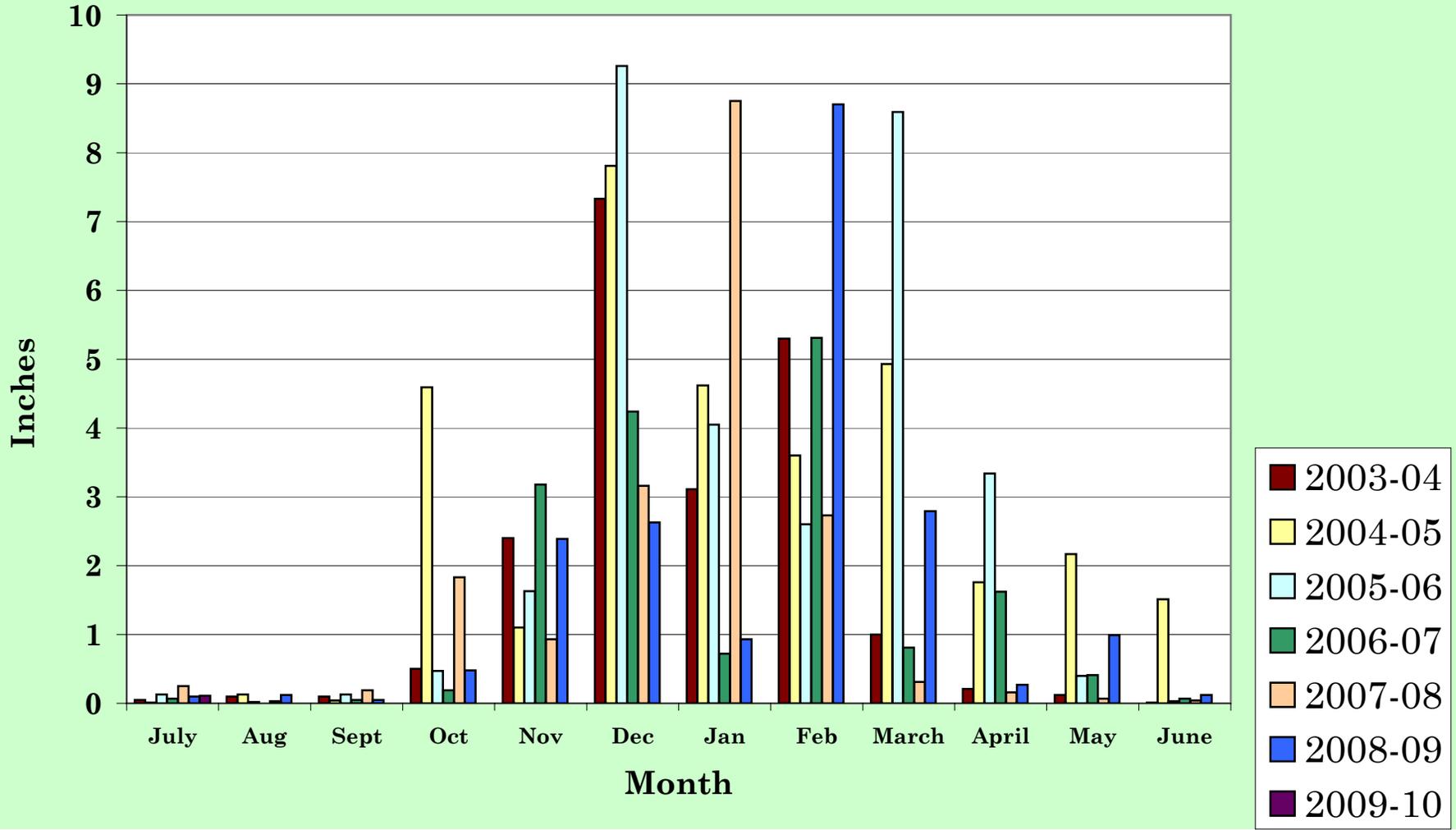
<b>Date</b>	<b>Location</b>	<b>City</b>	<b>Pipe Type/Size</b>	<b>Repair Material</b>	<b>Estimated Water Loss (gallons)</b>	<b>Repair Material Costs</b>	<b>Manpower and Equipment Costs</b>	<b>Estimated Cost of Repair (dollars)</b>
15-Jul-09	164 Kelly Ave	HMB	3/4" plastic service	20' 3/4" copper/ 1-3/4" angle stop/ 1 - B9 Box w/lid/ 1 - 3/4" comp nut/ 4 tons rock	1,600	\$243.61	\$1,000.00	\$1,244
16-Jul-09	138 Vallejo St 12342 San Mateo	EG	3/4" black plastic service	15' 3/4" copper/ 4 tons rock/ 1 - 3/4" angle stop/ 1 - 3/4' check/ 1 - 3/4" comp nut/ 1 - B9 box with lid/	2600	\$221	\$1,000.00	\$1,221
22-Jul-09	Rd *	HMB	1" plastic service	1 - B6 box	2600	\$27	\$3,176.00	\$3,203
31-Jul-09	305 Metzgar St.	HMB	1" black plastic service	50' 1" copper/ 1 - 1" copxcop/ 2 - 3/4" angle stops/ 2 - 3/4" comp 90/ 3' - 3/4" copper/ 1 - 1"x3/4x3/4" tee/ 3 tons rock	2100	607.02	\$2,050.00	\$2,657
* Andreini contracted to do job.								
<b>TOTAL</b>					<b>8,900.00</b>	<b>1,098.93</b>		<b>\$8,325</b>



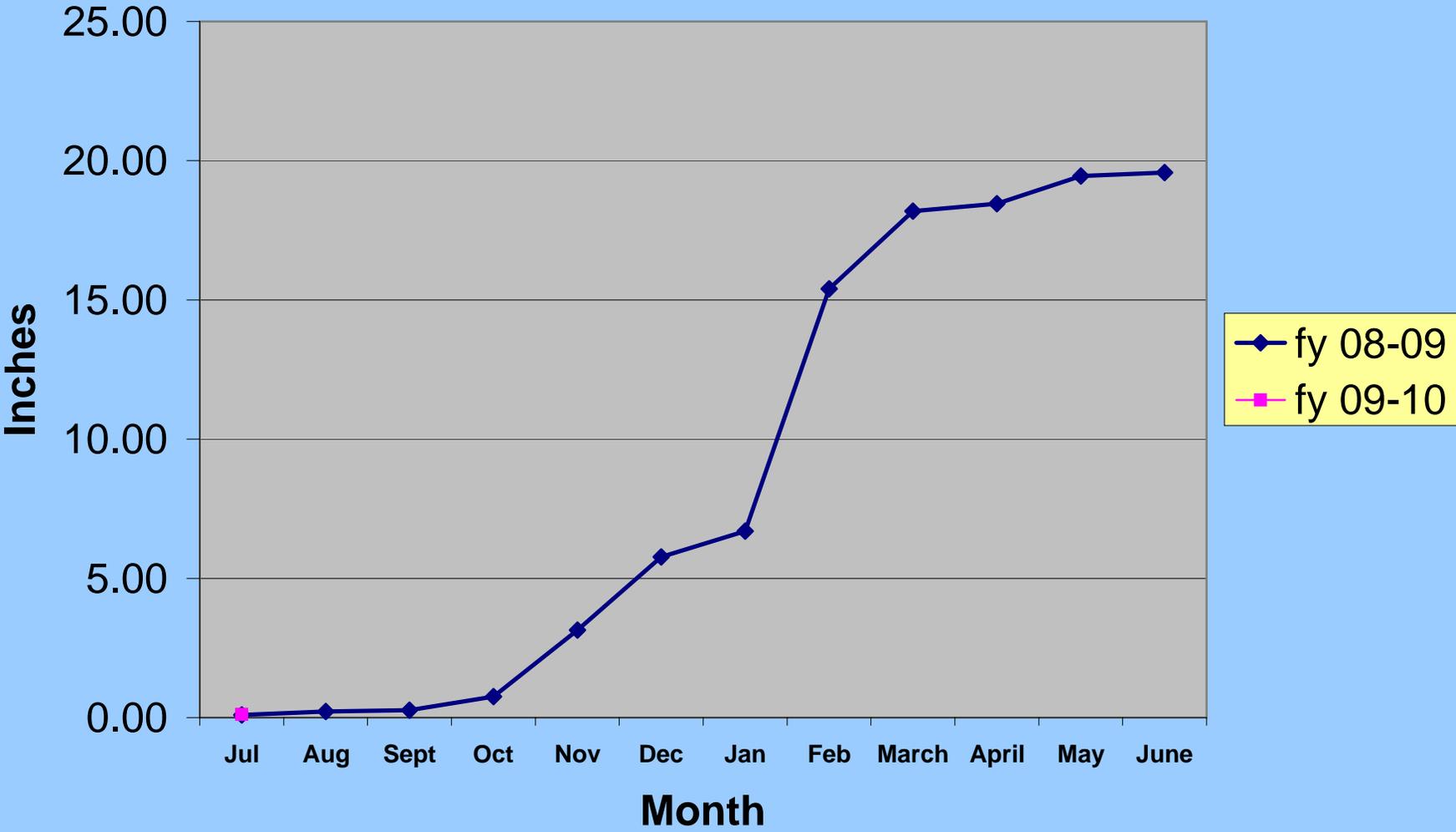
# Coastside County Water District

## Rainfall by Month

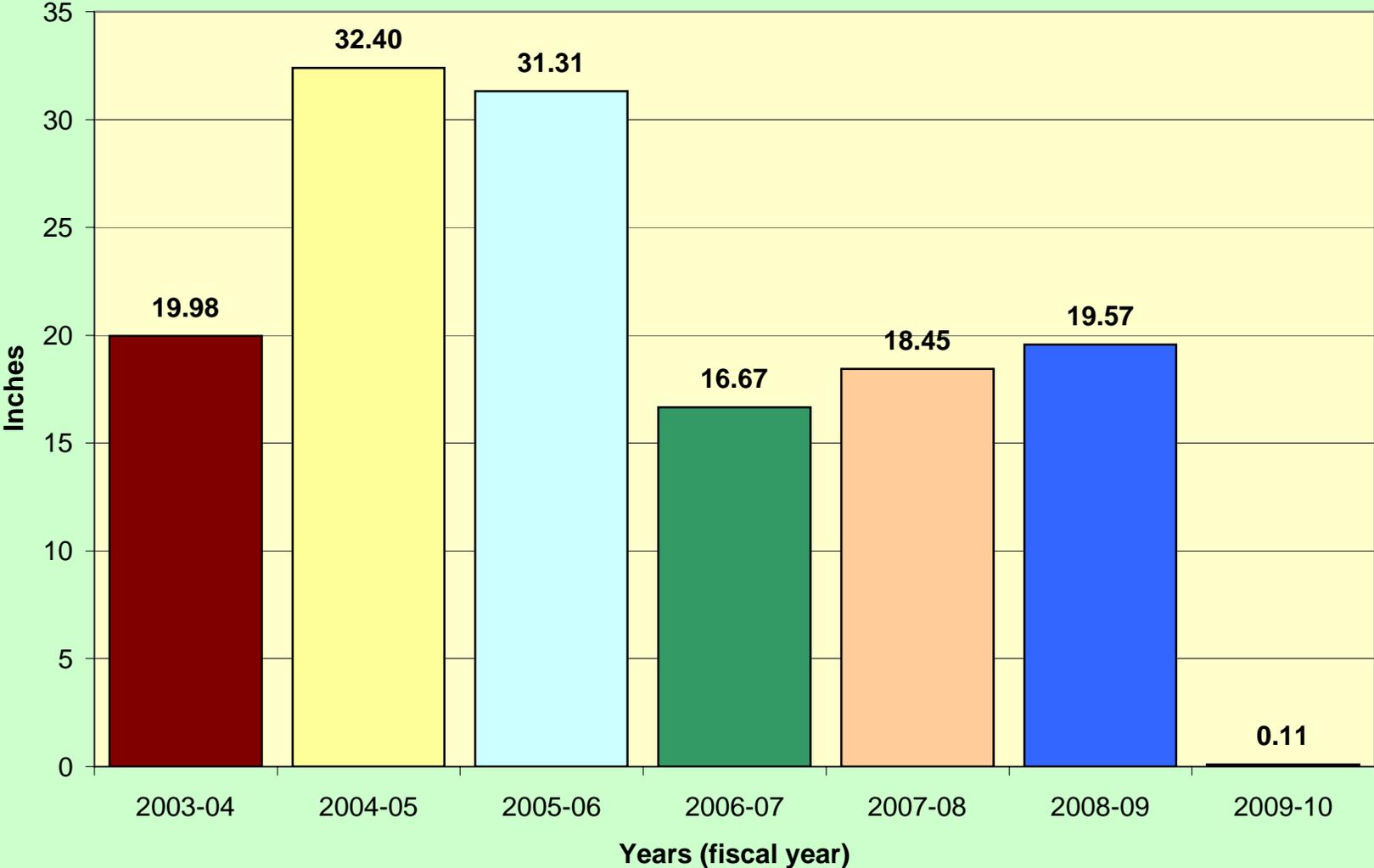
July '08 thru Jun '09



# Rainfall Totals fy 08 - 09



# Rain Totals



MONTHLY CLIMATOLOGICAL SUMMARY for JUL. 2009

NAME: Office CITY: Half Moon Bay STATE: CA ELEV: 80 LAT: 37 38' 00" LONG: 122 25'59"

TEMPERATURE (°F), RAIN (in), WIND SPEED (mph)

DAY	MEAN	HIGH	TIME	LOW	TIME	HEAT	COOL	RAIN	AVG		TIME	DOM
	TEMP					DEG	DEG		SPEED	HIGH		
1	67.0	77.6	5:00p	58.9	6:00a	1.6	3.7	0.00	2.6	13.0	2:00p	S
2	64.9	75.9	5:00p	57.8	6:00a	2.2	2.1	0.00	1.2	10.0	1:00p	SSW
3	63.6	72.6	6:00p	57.9	6:30a	2.4	0.9	0.00	0.9	10.0	10:30a	SSW
4	66.4	77.7	3:30p	58.8	2:30a	1.8	3.2	0.00	2.2	13.0	11:00a	SSW
5	63.2	72.9	12:30p	56.6	12:00m	3.0	1.2	0.00	1.8	12.0	1:30p	SSW
6	62.7	86.2	6:00p	56.1	4:00a	3.4	1.1	0.00	2.4	12.0	2:00p	SSW
7	62.9	72.9	1:30p	51.5	12:00m	3.3	1.2	0.00	1.7	10.0	7:30a	SSW
8	60.9	84.8	6:00p	49.7	2:30a	5.0	0.9	0.00	2.6	15.0	4:00p	SW
9	62.8	73.7	1:30p	56.2	4:00a	3.5	1.3	0.00	1.6	11.0	2:30p	SSW
10	63.4	87.2	6:00p	57.9	7:00a	2.7	1.1	0.00	1.6	12.0	2:30p	SW
11	61.6	70.1	3:30p	55.9	5:30a	3.8	0.4	0.00	1.5	13.0	2:30p	SSW
12	61.4	88.2	6:00p	53.3	12:00m	4.5	0.9	0.00	1.7	11.0	2:30p	SSW
13	61.4	92.7	6:00p	47.4	5:00a	6.1	2.5	0.00	1.2	14.0	3:00p	SSW
14	61.6	88.4	6:00p	50.4	4:30a	5.1	1.8	0.00	0.9	8.0	3:30p	SW
15	62.4	77.4	2:00p	52.6	6:00a	4.7	2.2	0.00	1.3	11.0	1:30p	SW
16	60.7	69.6	5:30p	54.4	5:00a	4.7	0.5	0.01	1.1	8.0	11:30a	SW
17	60.5	70.8	6:00p	53.3	5:30a	4.8	0.3	0.00	1.2	10.0	2:00p	SW
18	60.8	72.5	6:00p	51.3	5:30a	4.5	0.3	0.00	1.4	12.0	3:30p	SW
19	62.2	73.7	6:00p	56.2	2:30a	3.6	0.8	0.00	1.2	10.0	2:30p	SSW
20	60.9	71.8	2:30p	55.8	11:00p	4.7	0.6	0.00	1.2	11.0	1:00p	SW
21	59.2	67.5	1:00p	54.3	6:00a	5.9	0.0	0.00	0.9	10.0	4:00p	SW
22	59.5	68.3	1:30p	55.2	4:00a	5.6	0.1	0.01	0.5	8.0	12:30p	SW
23	61.0	72.1	1:00p	55.0	5:30a	4.5	0.5	0.02	0.4	9.0	1:30p	SW
24	62.5	74.1	2:30p	57.0	5:30a	3.4	0.9	0.01	0.9	10.0	11:30a	SW
25	60.7	71.1	11:00a	54.1	11:30p	4.8	0.5	0.01	0.9	10.0	12:30p	SW
26	60.2	69.4	3:00p	54.4	11:30p	5.1	0.3	0.00	0.9	9.0	12:00p	SSW
27	60.5	70.0	1:00p	53.5	1:30a	5.1	0.6	0.01	0.9	10.0	3:30p	SW
28	64.1	75.5	2:00p	57.5	2:30a	2.6	1.8	0.01	0.8	11.0	1:30p	SSW
29	66.3	78.9	3:00p	58.7	4:00a	1.8	3.1	0.01	1.2	9.0	11:00a	SSW
30	63.9	72.3	4:00p	57.6	10:30p	2.4	1.3	0.01	1.1	13.0	1:00p	SSW
31	61.5	72.7	11:00a	56.5	6:00a	4.0	0.5	0.01	1.1	12.0	2:00p	SW
-----												
	62.3	92.7	13	47.4	13	120.7	36.7	0.11	1.3	15.0	8	SSW

Max >= 90.0: 1  
 Max <= 32.0: 0  
 Min <= 32.0: 0  
 Min <= 0.0: 0

Max Rain: 0.02 ON 7/23/09

Days of Rain: 1 (>.01 in) 0 (>.1 in) 0 (>1 in)

Heat Base: 65.0 Cool Base: 65.0 Method: Integration



# San Francisco Public Utilities Commission

## Hydrological Conditions Report

### For July 2009

J. Chester, B. McGurk, A. Mazurkiewicz, M. Tsang, August 3, 2009

#### Current System Storage

Current Tuolumne System and Local Bay Area storage conditions are summarized in Table 1.

<b>Table 1</b>							
<b>Current Storage</b>							
<b>As of August 1, 2009</b>							
Reservoir	Current Storage		Maximum Storage		Available Capacity		Percent of Maximum Storage
	Acre-Feet	Millions of Gallons	Acre-Feet	Millions of Gallons	Acre-Feet	Millions of Gallons	
<b>Tuolumne System</b>							
Hetch Hetchy <sup>1/</sup>	348,990		360,360		11,370		96.8%
Cherry <sup>2/</sup>	261,603		273,340		11,737		95.7%
Lake Eleanor <sup>3/</sup>	22,704		27,100		4,396		83.8%
Water Bank	570,000		570,000		0		100.0%
Tuolumne Storage	1,203,297		1,230,800		27,503		97.8%
<b>Local Bay Area Storage</b>							
Calaveras <sup>4/</sup>	40,630	13,239	96,824	31,550	56,194	18,311	42.0%
San Antonio	48,068	15,663	50,496	16,454	2,427	791	95.2%
Crystal Springs	54,599	17,791	58,377	19,022	3,778	1,231	93.5%
San Andreas	18,728	6,103	18,996	6,190	268	87	98.6%
Pilarcitos	1,998	651	3,100	1,010	1,102	359	64.5%
Total Local Storage	164,023	53,447	227,793	74,226	63,769	20,779	72.0%
<b>Total System</b>	1,367,320		1,458,593		91,272		93.7%

<sup>1/</sup> Maximum Hetch Hetchy Reservoir storage with drum gates activated.

<sup>2/</sup> Maximum Cherry Reservoir storage with flash-boards in.

<sup>3/</sup> Maximum Lake Eleanor storage with all stop-logs in.

<sup>4/</sup> Available capacity does not take into account current DSOD storage restrictions.

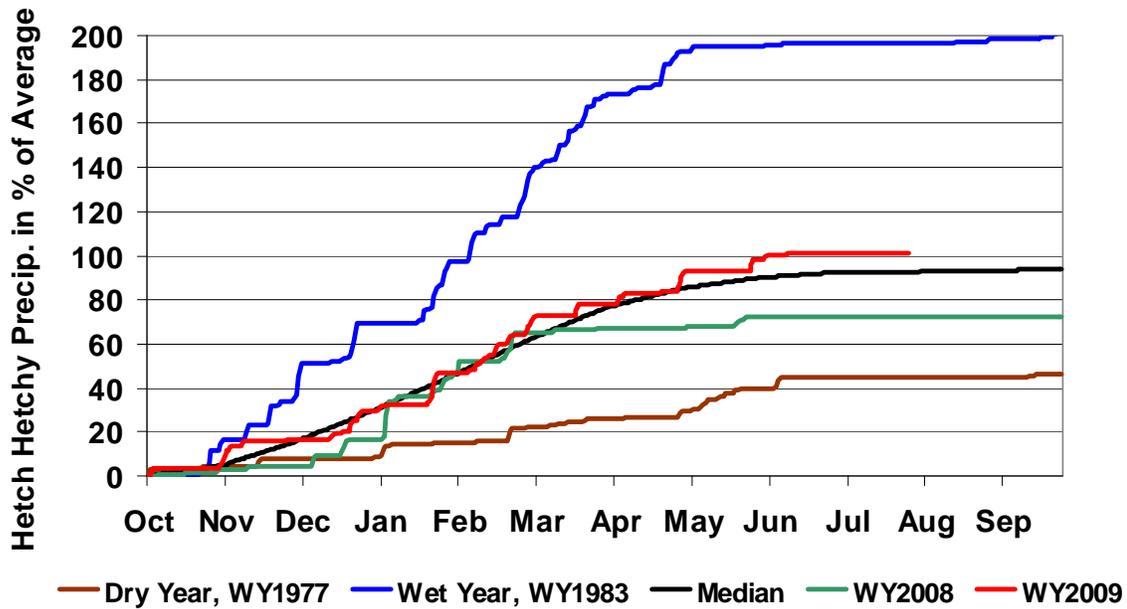
#### Hetch Hetchy System Precipitation Index <sup>5/</sup>

*Current Month:* The July precipitation index is zero inches, or 0.0% of the average index for the month. At O'Shaughnessy Dam, there was no measureable precipitation in July. Average July precipitation at O'Shaughnessy Dam is 0.36 inches.

*Cumulative Precipitation to Date:* The accumulated precipitation index for water year 2009 is 35.0 inches, which is 98.3% of the average annual water year total, and 100.2% of the season-to-date precipitation index. The cumulative precipitation for the Hetch Hetchy gauge is shown in Figure 1 in red, indicating that accumulated precipitation at Hetch Hetchy is above average to date.

<sup>5/</sup>The precipitation index is computed using six Sierra precipitation stations and is an indicator of the wetness of the basin for the water year to date. The index is computed as the average of the six stations and is expressed in inches and in percent.

## Precipitation at Hetch Hetchy: Water Year 2009



**Figure 1:** Water year 2009 cumulative precipitation received at Hetch Hetchy Reservoir through the end-of-month July. Precipitation curves for wet, dry, median, and WY 2008 years for the station at Hetch Hetchy are included for comparison purposes.

### Tuolumne Basin Unimpaired Inflow

Unimpaired inflow to SFPUC reservoirs and the Tuolumne River at La Grange as of July 31<sup>st</sup> is summarized below in Table 2. July inflow to Hetch Hetchy Reservoir was 37,002 acre-feet, or 49% of the long-term average, while inflow at La Grange was 44% of average. There was no water available for the City in July.

	July 2009				October 1, 2008 through July 31, 2009			
	Observed Flow	Median <sup>6</sup>	Average <sup>6</sup>	Percent of Average	Observed Flow	Median <sup>6</sup>	Average <sup>6</sup>	Percent of Average
Inflow to Hetch Hetchy Reservoir	37,002	43,119	75,793	48.8%	751,626	699,887	728,198	103.2%
Inflow to Cherry Reservoir and Lake Eleanor	6,300	12,724	25,536	24.7%	457,431	439,790	446,650	102.4%
Tuolumne River at La Grange	53,661	67,160	121,121	44.3%	1,642,369	1,736,350	1,806,537	90.9%
Water Available to the City	0	1,443	47,247	0.0%	586,002	620,855	780,488	75.1%

<sup>6</sup> Hydrologic Record: 1919 – 2005.

## Hetch Hetchy System Operations

As snowmelt runoff receded through June, spill from Hetch Hetchy ceased in early July. Draft was reduced to balance the inflows and releases through SJPL deliveries and additional power draft. By July 10<sup>th</sup>, releases and draft from Hetch Hetchy were reduced to meet SJPL deliveries and minimum streamflow releases. A total of 37.0 TAF of water was released from Hetch Hetchy Reservoir through power draft in July of which 27.2 TAF of draft were for SJPL deliveries.

During July, about 15,263 acre-feet of power draft was made from Cherry Reservoir to support the City's Municipal load, District Class 1, and recreational releases. The City's Water Bank account in Don Pedro Reservoir was full by the end of July. A total of 5,449 acre-feet of water was moved from Eleanor to Cherry in July. As the inflow into Lake Eleanor receded to summer baseflow, pumping from Lake Eleanor to Cherry Reservoir was stopped on July 13<sup>th</sup> in order to maintain the recreational level through the end of September.

## Local System Operations

The Sunol Valley Water Treatment Plant was off-line for much of the month for maintenance purposes. The average rate at the Sunol Valley Water Treatment Plant for July was 1 MGD. The Harry Tracy Water Treatment Plant rate averaged 26 MGD in July.

## Local System Water Demand

July water demand averaged approximately 287 MGD, a 6% increase over the June average of 270 MGD.

## Local Precipitation

No measurable precipitation fell across the local watersheds for the month. Precipitation totals are presented in Table 3.

**Table 3.** Precipitation totals for July 2009, at three Local Area reservoirs

Reservoir	Month Total (inches)	Percentage of Normal for the Month	Year To Date <sup>7</sup> (inches)	Percentage of Normal for the Year-to-Date <sup>7</sup>
Pilarcitos	0.00	0 %	0.00	0.00 %
Lower Crystal Springs	0.00	0 %	0.00	0.00 %
Calaveras	0.00	0 %	0.00	0.00 %

<sup>7</sup> Since July 1 2009

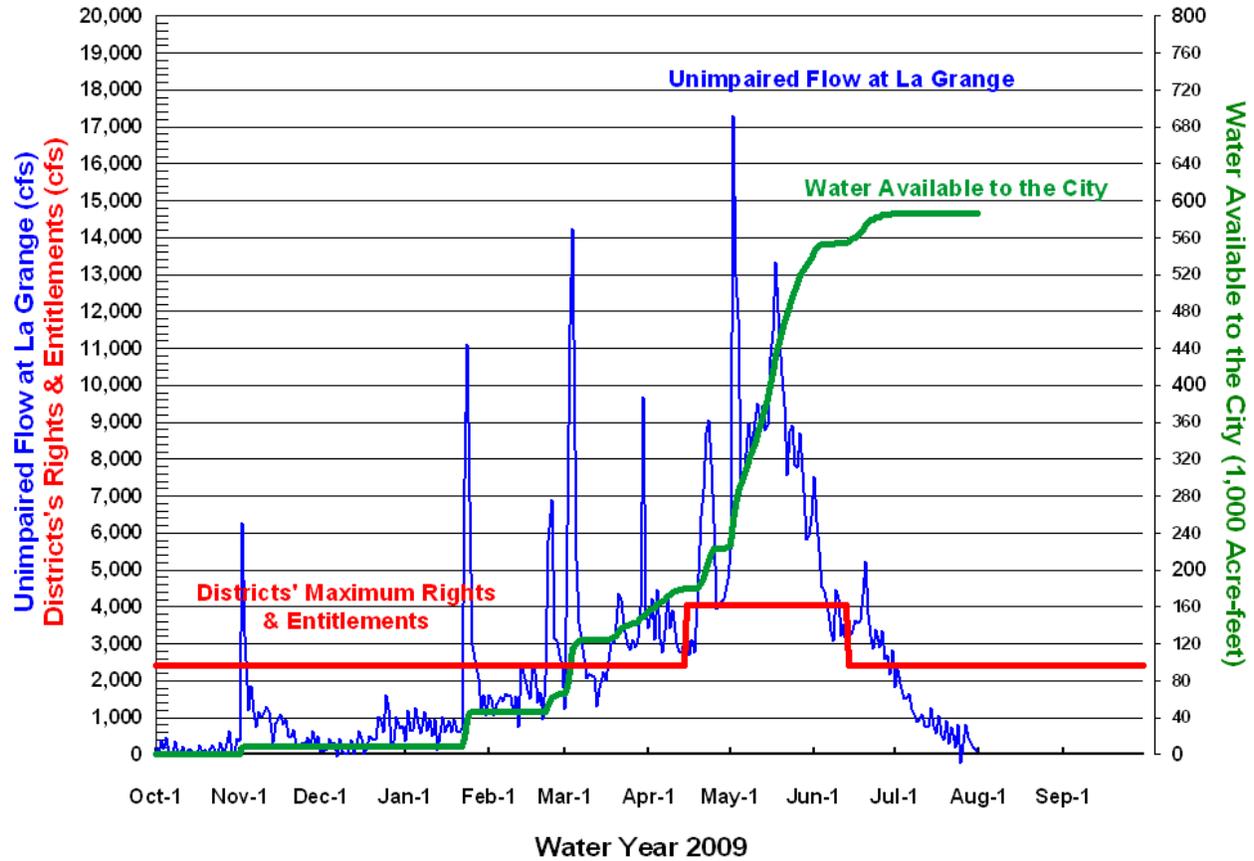
## Snowmelt and Water Supply

Inflow to the Up-country reservoirs has receded to summer baseflow conditions. The snowmelt runoff period of April through July brought unimpaired flow at La Grange to a total of 1,101,167 acre-feet or 94% of the long-term median, while Hetch Hetchy received 104% and water available to the City was 88% of median. These near normal conditions filled all Up-country reservoirs including Water Bank and are some of the best conditions in California.

Current conditions have become seasonally dry and there are no expected precipitation events except for the occasional isolated high country thunderstorms which could bring short-term elevated streamflow. There is currently a 300 acre fire burning along the Tuolumne River above

the Grand Canyon of the Tuolumne. The fire was first reported on July 30<sup>th</sup>. Due to difficult terrain, the remote location, and wilderness and cultural resources, Fire managers are considering all responses. The fire is bringing intermittent smoke to the area and down into the foothills.

### Unimpaired Flow at La Grange & Water Available to the City



**Figure 2:** Calculated unimpaired flow at La Grange and the allocation of flows between the Districts and the City. Water available to the City for the period from October 1<sup>st</sup>, 2008 through July 31<sup>st</sup>, 2009 was 586,002 acre-feet.

cc	HHWP Records	Dufour, Alexis	Levin, Ellen	Rydstrom, Todd
	Briggs, David	Gibson, Bill	Mazurkiewicz, Adam	Samii, Camron
	Cameron, David	Hale, Barbara	McGurk, Bruce	Sandkulla, Nicole
	Carlin, Michael	Hannaford, Margaret	Meier, Steve	Sanguinetti, Dave
	Chester, John	Harrington, Ed	Nelson, Kent	Tsang, Michael
	DeGraca, Andrew	Jensen, Art	Patterson, Mike	Winnicker, Tony
	Dhakal, Amod	Kehoe, Paula	Ramirez, Tim	

## **STAFF REPORT**

**To:** David Dickson, General Manager

**From:** Joe Guistino

**Agenda:** August 11, 2009

Report

Date: August 6, 2009

**Subject:** Pilarcitos Well #1 Rehabilitation

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**Recommendation:** Authorize Staff to award contract to reline and procure and install a new pump for Pilarcitos Well #1 to Pump Repair Service Co. for a total of \$25,966

**Background:** District had retained Pump Repair Service Co. to inspect and clean Pilarcitos Well #1 as part of the ongoing Well Rehabilitation Project started in 2005. Video inspection of the well after it had been cleaned revealed that the well casing has been compromised with 3 holes. Repairs are estimated to be \$13,586.

The original motor installed in this well has burnt out and must be replaced. The original motor, installed in 2003, had burnt out trying to overcome the pressures of the retrofitted pump installed in well 4A in early 2005. The new motor and pump set will be \$12,380, bringing the total for this rehabilitation to approximately \$26,000.

A rehabilitated well #1 in Pilarcitos Canyon will provide about 75 gpm. We can expect to offset 9.7 MG/year of San Francisco Public Utility Commission (SFPUC) water purchases. At \$2,000 per million gallons, the District could expect to save \$19,000 per year, resulting in a payback of only 2 years.

**Fiscal Impact:** \$40,000 has been allocated for well rehabilitation in the FY 10 Capital Improvement Budget.

## ***STAFF REPORT***

**To:** Coastside County Water District Board of Directors

**From:** David Dickson, General Manager

**Agenda:** August 11, 2009

Report

Date: August 6, 2009

**Subject:** Approval of the New Water Supply Agreement with San Francisco and of Coastside County Water District's Individual Agency Water Sales Contract

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### **Recommendation:**

Adopt three resolutions as follows:

- 1.) Approving Water Supply Agreement With The City and County of San Francisco
- 2.) Approving Individual Sales Contract With The City and County of San Francisco
- 3.) Adopting Findings For Purposes Of The California Environmental Quality Act In Connection With Approval Of A Water Supply Agreement With The City And County Of San Francisco

### **Background:**

Water provided by the City and County of San Francisco Public Utilities Commission (SFPUC) makes up more than 80% of CCWD's supply. As one of the 27 SFPUC wholesale customers comprising the Bay Area Water Supply and Conservation Agency (BAWSCA) the District has purchased water since 1984 under the terms of a Master Water Sales Contract and an individual agency Water Supply Contract, both of which expired June 30, 2009. On August 16, 2006, the CCWD Board approved Resolution No. 2006-17 appointing BAWSCA to represent the District in negotiations for a new water supply agreement. Since that time BAWSCA has worked with San Francisco to negotiate a new agreement which meets the objectives established by the BAWSCA agencies.

The negotiation process concluded in early April 2009 and on April 28, 2009 the SFPUC voted to approve the new master contract, now called the "Water Supply Agreement" (WSA), and to authorize the General Manager of SFPUC to execute the WSA with the wholesale customers and to negotiate and approve the individual agency Water Sales Contracts. BAWSCA's "Frequently Asked Questions About the Water Supply Agreement" (Attachment A) highlights key aspects of the WSA.

## Water Supply Agreement

A "Summary Report on New Water Supply Agreement" prepared by BAWSCA counsel Hanson Bridgett (Attachment B) provides a comprehensive summary of key provisions of the 187-page WSA. These key provisions, by contract section, include the following:

### *Article 1. Parties, Effective Date, and Defined Terms*

- The parties to the WSA are the City and County of San Francisco and the wholesale agencies.

### *Article 2. Term; Amendments During Term*

- The WSA will be in effect, unless it is extended, for 25 years from July 1, 2009 to June 30, 2034. The term can be extended for one or two additional five-year terms by consent of the parties.

### *Article 3. Water Supply*

- Reconfirms the wholesale agencies collective supply assurance of 184 million gallons per day (MGD) as well as the agencies' individual "supply guarantees." The supply guarantees are transferrable between agencies.
- Commits the Wholesale Customers to implement water efficiency programs and practices to ensure that the SFPUC is eligible to receive state and federal grants. San Francisco and the Wholesale Customers agree to explore support for water conservation and recycling outside the Bay Area to benefit the Tuolumne River.
- San Francisco agrees to deliver water that meets all applicable drinking water standards. Coastside County Water District is specifically named as the sole exception to this commitment.
- San Francisco agrees to complete the Water System Improvement Program (WSIP) by 2015 and requires the SFPUC to maintain the regional water system and submit reports on the status of the system.
- San Francisco agrees to operate the regional water system to give priority to water supply over electric power generation. This has been the practice since the 1987-1992 drought, but is now part of the WSA.
- In water shortages, the available water will be divided between San Francisco and the Wholesale Customers as agreed to in the Interim Water Shortage Allocation Plan (IWSAP). How to divide the water allocated to the Wholesale Customers among them is not part of the WSA so that the Wholesale Customers will need to continue the methodology in the IWSAP, or negotiate an alternate mechanism.

- Allows BAWSCA or individual Wholesale Customers to transport, or “wheel” water through the regional water system during water shortage periods subject to water quality considerations.

*Article 4. Implementation of Interim Supply Limitation.*

- Implements the decision made by the SFPUC when it adopted the WSIP in conjunction with San Francisco’s approval of the Program Environmental Impact Report (PEIR) for the WSIP, with respect to the Interim Supply Limitation in effect until December 31, 2018. The Interim Supply Limitation limits water sales from San Francisco’s watersheds to 81 MGD for San Francisco and 184 MGD for the Wholesale Customers for a total limitation of 265 MGD. The WSA requires San Francisco to decide if it will increase the 184 MGD supply assurance by December 31, 2009.
- San Francisco must decide how to divide up the Wholesale Customers’ 184 MGD Interim Supply Limitation among the Wholesale Customers by December 2010. These allocations are separate and distinct from the 184 MGD supply assurance and the individual supply guarantees discussed in Article 3.
- If water usage for the regional water system exceeds the 265 MGD Interim Supply Limitation, then an “environmental enhancement surcharge” will be levied on those agencies (including San Francisco) that exceed their individual limitations. Receipts from the surcharge will be used for environmental restoration or enhancement projects on San Francisco watersheds.

*Article 5. Wholesale Revenue Requirement*

- Describes the basis for determination of the Wholesale Revenue Requirement, the amount of money the Wholesale Customers are required to pay to the SFPUC for ownership, operation, and maintenance of the regional water system. In general, the provisions in this section are the same as those in the current Master Contract, which relate to appropriate allocation of costs for facilities and programs of the regional water system.
- Establishes the methodology to allocate capital costs for the regional water system. In the current Master Contract, the “utility method” of recovering capital costs is used. This method requires the Wholesale Customers to pay depreciation and a rate of return on the net book value of the assets. The WSA discontinues this method and replaces it with the “cash method” for new assets. In addition, the Wholesale Customers will pay their remaining share of existing assets built and in service as of June 30, 2009, through a series of level payments over 25 years. The cash method requires wholesale customers to pay their share of debt service payments and capital improvements funded from reserves.

*Article 6. Integration of Wholesale Revenue Requirement with SFPUC Budget Development and Rate Adjustments*

- Requires the SFPUC to send its proposed annual budget to BAWSCA. This is similar to the requirements in the current Master Contract.
- Allows SFPUC to establish wholesale rates to recover the Wholesale Revenue Requirement. This is similar to provisions in the current Master Contract, but includes more coordination and consultation with BAWSCA.
- Requires the use of a balancing account for the difference between the amounts charged to Wholesale Customers and the total amount that the Wholesale Customers are required to pay. This is similar to provisions in the current Master Contract, but adds more flexibility so that rates do not fluctuate greatly.

*Article 7. Accounting Procedures; Compliance Audit*

- Requires maintenance of a rigorous accounting system for SFPUC to implement the calculation of the Wholesale Revenue Requirement and rate setting, similar to the requirements in the current Master Contract.
- Provides for an annual compliance audit of the calculation of the Wholesale Revenue Requirement, similar to the requirements in the current Master Contract.

*Article 8. Other Agreements of the Parties*

- Delegates administrative tasks to BAWSCA, the representative for the Wholesale Customers.
- Commits SFPUC to meet annually with the Wholesale Customers. This is also a provision of the current Master Contract.
- Requires that disputes be resolved by mandatory binding arbitration as in the current Master Contract.

*Article 9. Implementation and Special Provisions Affecting Certain Wholesale Customers*

- Sets out provisions for certain Wholesale Customers. CCWD is not mentioned in this section and the provisions set forth do not apply to the District.

Overall, the WSA is a fair agreement that achieves nearly all of the goals established by the BAWSCA agencies. It represents a significant improvement in definition and clarity over the old agreement and will provide a sound basis for the relationship between SFPUC and the wholesale customers.

**CCWD Individual Agency Agreement**

Supplementing the WSA, an individual agency Water Sales Contract (WSC) specifies unique terms applicable to each agency. The WSC defines the agency's service area, the points at which water is delivered from the SFPUC system, interties (if any) with other systems, and other agency-specific details. Following SFPUC approval of the WSA, SFPUC staff began the process of finalizing individual agency agreements. In most cases, these agreements were completed very quickly, as there is little to negotiate. In CCWD's case, however, there were two issues which staff felt needed to be addressed in the new agreement: 1) an assurance regarding the amount of water to be supplied from Pilarcitos Lake and 2) the need for a water rate reflecting the fact that we are the only agency receiving water which does not meet drinking water quality standards at the point of delivery.

District Counsel Patrick Miyaki and General Manager Dickson began negotiations with SFPUC staff with a meeting on May 26. After eight contract drafts and a July 20 meeting with SFPUC General Manager Ed Harrington which included CCWD Board President Mickelsen, we arrived at an agreement acceptable to both parties on August 4. The Water Sales Contract is included here as Attachment C.

The provisions of the Water Sales Contract addressing the concerns we raised are as follows:

1. Pilarcitos Supply (WSC Section 7): SFPUC agrees to supply water first from Pilarcitos, to maintain the system, and to work with us on ways to maximize the Pilarcitos supply. If they reduce our supply to provide additional in-stream flows for Pilarcitos Creek, the additional costs to pump water from Crystal Springs would be borne by the regional system (all SFPUC customers).
2. Wholesale Rate (Section 8): SFPUC agrees to perform a rate study to determine whether CCWD should be charged a different (lower) rate for untreated water.

Other terms of the WSC are substantially the same as those in the previous agreement.

### **CEQA Determination**

Concurrent with the approval of the Water Supply Agreement and the Water Sales Contract, the District Board must make certain findings to ensure compliance with the California Environmental Quality Act. BAWSCA counsel Hanson Bridgett provided the form of the resolution adopting the findings.

**Fiscal Impact:**

There is no fiscal impact directly related to approval of the WSA and WSC. The rate provisions of the WSC may result in lower wholesale rates beginning in 2011/2012. Otherwise, rates for SFPUC water will remain essentially the same as CCWD would have paid under the previous agreement.

**Attachments**

- A - Frequently Asked Questions About the Water Supply Agreement
- B - Summary Report on New Water Supply Agreement
- C - CCWD Individual Agency Water Sales Contract
- D - Resolution No. 2009 - \_\_\_\_ Approving Water Supply Agreement With The City And County of San Francisco
- E - Resolution No. 2009- \_\_\_\_ Approving Individual Water Sales Contract With The City And County Of San Francisco
- F - Resolution No. 2009- \_\_\_\_ Adopting Findings For Purposes Of The California Environmental Quality Act In Connection With Approval Of A Water Supply Agreement With The City And County Of San Francisco

***STAFF REPORT***

**Agenda: August 11, 2009**

**Subject: Approval of San Francisco Water Supply Agreements**

**Attachment A**

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## ATTACHMENT A

Frequently Asked Questions About the Water Supply Agreement



**Frequently Asked Questions**  
**about the**  
**Water Supply Agreement**  
**Between the City and County of San Francisco**  
**and**  
**Wholesale Customers in Alameda, San Mateo and Santa Clara Counties**

**THE AGREEMENT**

**Who are the parties to the Water Supply Agreement?**

The City and County of San Francisco and the 27 cities, water districts and privately owned water agencies that purchase water from San Francisco on a wholesale basis and distribute it to over 1.7 million residents, 30,000 businesses and thousands of community organizations in Alameda, Santa Clara and San Mateo Counties. These 27 agencies are called “Wholesale Customers.”

**Who negotiated the agreement?**

All 27 Wholesale Customers that buy water from San Francisco are members of the Bay Area Water Supply and Conservation Agency (BAWSCA), and authorized BAWSCA to negotiate the Agreement with San Francisco on their behalf.

**What is the purpose of the Water Supply Agreement?**

To ensure that San Francisco provides a reliable supply of high quality water at a fair price to the customers outside San Francisco.

**Who has to approve it?**

The Agreement must be approved by the San Francisco Public Utilities Commission, which did approve it on April 28, 2009. In addition, it must be approved by the governing body of any Wholesale Customer who wants to participate in the Agreement.

**How long will the new agreement last?**

The new Agreement has a term of 25 years. It may be extended for one or two five-year periods with the consent of the SFPUC and Wholesale Customers.

**Is there an existing agreement? When does it expire?**

The existing agreement, called the Settlement Agreement and Master Water Sales Contract, was signed in 1984 and expires June 30, 2009.

## **WATER SUPPLY**

### **How much water do the agencies outside San Francisco get under this agreement?**

San Francisco has made a perpetual commitment to provide the 25 permanent Wholesale Customers collectively up to 184 million gallons per day (mgd), on an annual average basis. The cities of San Jose and Santa Clara are not permanent customers and are not included in this amount. The Agreement preserves the Wholesale Customers' claim that San Francisco is obligated to provide water over and above this amount, and San Francisco's denial of that obligation.

### **How much water would San Jose and Santa Clara receive?**

The cities of San Jose and Santa Clara are currently temporary and interruptible customers of the San Francisco regional water system. They are able to purchase surplus water from San Francisco. These two cities currently purchase a combined total of about 9 mgd. Under the new agreement, San Francisco would provide San Jose and Santa Clara up to 9 mgd until the year 2018, but they would continue to be temporary and interruptible customers.

### **Will the water agencies outside receive as much water as they are projecting to need?**

No. The agencies will be about 11 mgd short of their projections. In 2004 the 27 Wholesale Customers projected they would need to purchase 195 mgd of water from San Francisco in 2018. This amount of water supplements their use of other sources of water and already includes their commitment to 11 mgd of new water conservation plus 9 mgd of recycled water. In October 2008, San Francisco imposed a limit on sales of water to its Retail and Wholesale Customers of 265 mgd until at least 2018: a limit of 81 mgd on sales to San Francisco Retail Customers, and a limit of 184 mgd on sales to Wholesale Customers. This action leaves the 27 Wholesale Customers 11 mgd short of their projected needs in 2018. For their communities to continue to prosper as planned, they will now have to double the amount of new water conservation and recycled water between now and 2018.

### **Who will provide reliable water supplies for the future of our communities?**

BAWSCA and its member agencies are developing a plan to save a total of 22 mgd before 2018 through additional conservation and water recycling and are planning to take on the challenge of preparing a longer-term plan to establish reliable water supplies past 2018.

## **WATER SUPPLY, cont'd.**

### **Where does San Francisco get its water?**

San Francisco currently obtains water from watersheds in San Mateo County, Alameda and Santa Clara Counties and the Hetch Hetchy watershed in the Sierra Mountains. An average, 85 percent of the system's water originates in the Sierra Mountains and flows to the Bay Area by gravity, requiring much less energy for pumping than most water systems in the State.

### **Why do agencies outside San Francisco get water from the San Francisco Regional Water System?**

San Francisco's Hetch Hetchy water system was built with the intent of serving neighboring communities in these counties, and many of the agencies served today supported the Congressional act that permitted the system to be built.

### **If there is a drought, how is the available supply divided between San Francisco's Retail and Wholesale Customers?**

In the event of a drought, the Agreement includes a provision for allocating water between San Francisco's Retail Customers and the Wholesale Customers as a group. The formula requires greater cutbacks to the Wholesale Customers reflecting differences in climate, density and land uses.

### **Does the Agreement specify how water would be allocated among the 27 Wholesale Customers during a drought?**

No. The allocation of water among the Wholesale Customers will be decided separately. In 2000, the Wholesale Customers approved a plan to allocate their share of water among the 27 agencies. That formula is based on several principles, one of which is that agencies should not be penalized for investing in local water conservation or wastewater recycling. This plan will be reviewed, and revised if necessary, this coming fiscal year. San Francisco is not a party to that plan, so it is not included in the Agreement with San Francisco. On an individual agency basis, how each agency allocates water to its retail customers is up to that agency's governing body, and is not addressed in the Agreement with San Francisco.

## **COSTS AND WATER RATES**

### **Do customers outside San Francisco subsidize the cost of water for customers inside San Francisco?**

No. The costs associated with building, operating and maintaining the Regional Water System are shared between San Francisco Retail Customers and the Wholesale Customers based on their proportionate annual use of water from the system.

### **What about the other way? Do customers inside San Francisco subsidize the cost of water for customers outside San Francisco?**

No.

### **Will the new agreement make the cost of buying water from San Francisco go up?**

No. Wholesale water rates will *not* go up because of the Agreement. The wholesale cost of water is projected to increase in order to pay for the seismic upgrades to the regional water system. Those cost increases would occur even if the existing agreement remained in effect.

### **How much will residential water bills outside San Francisco go up because San Francisco is rebuilding the Regional Water System?**

It depends on where you live and whether your local water agency is undertaking capital improvements or other costs. For a typical household outside San Francisco, the cost of rebuilding the Regional Water System will increase the monthly residential water bill by about \$2.50 per month between now and 2015.

### **When is San Francisco going to complete rebuilding the Regional Water System?**

San Francisco estimates it will complete the Water System Improvement Program by the end of 2015.

### **Who monitors costs and ensures San Francisco honors the provisions of the Agreement?**

BAWSCA will continue to administer the Agreement on behalf of the water agencies outside San Francisco and their retail customers.

***STAFF REPORT***

**Agenda: August 11, 2009**

**Subject: Approval of San Francisco Water Supply Agreements**

**Attachment B**

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## ATTACHMENT B

### Summary Report on New Water Supply Agreement

**Summary Report**  
**on**  
**New Water Supply Agreement**  
**Between the City and County of San Francisco**  
**and**  
**Wholesale Customers in Alameda, San Mateo and Santa Clara Counties**

**Prepared for**  
**San Francisco Bay Area Water Supply and Conservation Agency**

**By**  
**Ray McDevitt and Allison Schutte**  
**Hanson Bridgett LLP**

**April 2009**



## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
PART ONE WATER SUPPLY .....	2
A. Quantity .....	2
B. Reliability .....	3
C. Shortages .....	4
D. Water Quality .....	5
E. Conservation .....	6
F. Operational Issues .....	6
G. Interim Limit of 184 MGD Through 2018 .....	7
H. Limits on SFPUC Taking on New Customers.....	10
I. BAWSCA Involvement in SFPUC Planning for New or Alternate Supplies.....	10
PART TWO COST.....	11
A. Overview .....	11
B. Individual Cost Categories .....	13
C. Rates and Balancing Account .....	20
D. Accounting and Auditing.....	21
PART THREE ADMINISTRATIVE PROVISIONS .....	21
A. Term (Section 2.01).....	21
B. Unanimous Participation Not Necessary (Section 2.02).....	22
C. Amendments to Agreement (Section 2.03) .....	22
D. Delegation of Administrative Tasks to BAWSCA (Section 8.04) .....	22
E. Annual Meeting with SFPUC Senior Management (Section 8.03) .....	23
F. Dispute Resolution; Limitations on Damages (Section 8.01; Section 8.14) .....	24
G. Special Provisions for Some Agencies (Article 9 of Agreement).....	24

# SUMMARY REPORT ON NEW WATER SUPPLY AGREEMENT

## INTRODUCTION

This report was prepared at the request of the Bay Area Water Supply and Conservation Agency (BAWSCA). Its purpose is to provide a summary of the major provisions in the new Water Supply Agreement which BAWSCA has negotiated with representatives of the San Francisco Public Utilities Commission (SFPUC or Commission) and which was approved by the Commission on April 28, 2009.

In 1984, San Francisco and all of its wholesale customers entered into a "Settlement Agreement and Master Water Sales Contract," the term of which was 25 years and which will expire on June 30, 2009. This is a lengthy document which was executed in multiple identical counterparts by San Francisco and each of its wholesale customers. It was titled a "Settlement Agreement" because it settled a lawsuit brought by several of the wholesale customers against San Francisco, which is described in the opinion in *Palo Alto v. San Francisco* (9<sup>th</sup> Cir. 1977) 548 F.2d 1374, decided by the United States Court of Appeal for the Ninth Circuit.

The 1984 Settlement Agreement and Master Water Sales Contract was negotiated by the Bay Area Water Users Association (a less formal predecessor to BAWSCA) with support from attorneys, engineering consultants, municipal financial consultants, and CPAs.

A similar approach has been taken in preparation of the new Agreement. In 2006, BAWSCA offered its services as negotiator of the new Agreement. The governing boards of all 27 wholesale customers adopted resolutions delegating that authority and prescribing the parameters of that delegation. BAWSCA has conducted the negotiations with the SFPUC starting in 2007. The negotiating team has been led by Art Jensen, BAWSCA's General Manager/CEO. Mr. Jensen holds a Ph.D. in engineering from Cal Tech and has spent his career consulting for, and managing, urban water agencies. He has been assisted by BAWSCA's staff engineer Nicole Sandkulla, and staff financial analyst John Ummel, as well as

by independent engineering, financial and accounting consultants.<sup>1</sup> Attorneys at Hanson Bridgett have served as legal counsel to the BAWSCA negotiating team and were the principal drafters of the Agreement. Bud Wendell has provided strategic guidance at critical junctures.

The Agreement's Introductory Statement provides that both San Francisco and its wholesale customers "share a commitment to the Regional Water System providing a reliable supply of high quality water at a fair price and achieving these goals in an environmentally sustainable manner." Part One, Sections A, B, C and H of this report cover provisions in the new Agreement which address water supply reliability. Part One, Section D focuses on the Agreement's provisions related to water quality. Part Two covers the considerable portion of the new Agreement designed to ensure that the capital and operating costs of the regional water system are fairly allocated between San Francisco's retail customers and the wholesale customers. Finally, Part One, Sections E and F.2 summarize provisions in the Agreement explicitly addressing water conservation and use of alternative local sources of water.<sup>2</sup>

## **PART ONE**

### **WATER SUPPLY (Articles 3 and 4 of Agreement)**

#### **A. Quantity**

1. Supply Assurance Reconfirmed. The Agreement reconfirms San Francisco's perpetual commitment to deliver 184 million gallons per day (MGD), on an annual average basis, to the wholesale customers collectively, other than San Jose and Santa Clara (the "Supply Assurance"). It also preserves the wholesale customers' claim that San Francisco

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<sup>1</sup> Engineering support has been provided by Allan Richards, P.E., with Stetson Engineers. Financial support has been provided by Dan Cox and David Brodsky, both with KNN Financial, and by John Farnkopf, with HF&H Consultants. Assistance on accounting/auditing aspects of the Agreement has been provided by Steve Mayer, CPA, and Jeff Pearson, CPA, with Burr, Pilger & Mayer, LLP.

<sup>2</sup> In addition, Part One, Section G describes the mechanics through which the SFPUC intends to implement the Commission's decision in October 2008 to impose a limit on deliveries to 265 MGD through 2018 and to enforce the interim supply limitations assigned to individual agencies through Environmental Enhancement Surcharges.

is obligated to provide water over and above the Supply Assurance, as well as San Francisco's denial of that obligation.

2. Allocation of Supply Assurance Incorporated. The Agreement also incorporates and formally reconfirms the allocation of the collective 184 MGD Supply Assurance among the wholesale customers which was effected under the 1984 Contract (partly through triennial "vesting" and then by unanimous agreement of all agencies in 1994). The Agreement includes, as an attachment, a list of the individual "Supply Guarantees" for each of the 24 wholesale customers that currently have one.<sup>3</sup>

3. Transferability of Supply Guarantees. The Agreement allows wholesale customers to transfer, on a permanent basis, portions of their individual Supply Guarantees among themselves. These transfers are subject to only very limited San Francisco oversight to ensure Raker Act compliance and adequate physical capacity of the San Francisco regional system to deliver the additional water to the transferee agency.

## **B. Reliability**

1. WSIP Completion. The Agreement commits San Francisco to complete the Water System Improvement Program (WSIP) approved by the Commission in October 2008 by 2015.<sup>4</sup> In addition, the Agreement obligates San Francisco to provide full public review and opportunity for wholesale customers to comment on any proposed changes to the WSIP that would delay completion or delete projects. Finally, the staff of the SFPUC will meet and confer

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<sup>3</sup> These quantified supply guarantees will remain subject to pro rata reduction if and when collective use exceeds 184 MGD due to growth in demand, in order to preserve Hayward's claimed entitlement under its 1962 contract and the overall limit on San Francisco's commitment of 184 MGD. The Agreement will also preserve other agencies' reservation of their right to challenge this reduction.

<sup>4</sup> This commitment is conditional on SFPUC's completion of all CEQA analysis and documentation required for the individual facilities that collectively comprise the WSIP. It is also made subject to a "force majeure" clause that excuses both SFPUC and the wholesale customers from delays in performance, or failure to perform, due to "acts of God" and other circumstances not the fault of, and beyond the control of, the affected party that make performance impossible or extremely impracticable.

with BAWSCA before proposing to the Commission any changes in scope that would reduce the ability of the regional system to meet level of service goals adopted by the Commission.

2. System Maintenance. The Agreement requires the SFPUC to keep the regional system in good working order and repair, consistent with prudent utility practice. SFPUC will prepare and publish bi-annual reports on the "State of the Regional System," will cooperate with any audits of system repair/maintenance conducted by BAWSCA, will consider the findings of such audits, and will provide responses, including reasons why any audit recommendations were not adopted.

3. "Water First." The Agreement commits the SFPUC to continue its "water first" policy, i.e., operating the Hetch Hetchy reservoirs in a manner that gives higher priority to delivery of water to the Bay Area, and to environmental values, than to electric power generation. It leaves day-to-day operational decisions up to the SFPUC.

**C. Shortages**

1. Drought. The Agreement continues the allocation of water between San Francisco and the wholesale customers which was agreed to in 2000 and memorialized as "Tier One" of the Interim Water Shortage Allocation Plan. The provisions of the Plan that allow wholesale customers to "bank" drought allocations and to transfer them are continued, while some of the procedures and schedules contained in the Plan have been updated. The "Tier Two" allocation of water among the wholesale customers themselves, scheduled to expire on June 30, 2009, is not made a part of the new Agreement with San Francisco. The SFPUC, however, is obligated to honor any new allocation agreed to by the wholesale customers, either unanimously or through BAWSCA.

2. Disaster. The Agreement requires the SFPUC to distribute water on an equitable basis after an earthquake or other natural disaster. The SFPUC response to disasters is to be guided by the Emergency Response and Recovery Plan (ERRP) adopted by the

SFPUC, the fundamental principles of which are incorporated into the Agreement itself. The ERRP is to be periodically reviewed and may be amended by the Commission. SFPUC staff will be required to provide 30 days notice to the wholesale customers of any proposal to amend the ERRP, along with the text of the proposed amendments.

3. Localized Reductions. Provisions in the existing 1984 Contract governing localized shortages due to isolated damage or system repairs are continued.

4. Wheeling. The Agreement allows for BAWSCA and/or wholesale customers to "wheel" water from outside sources through the SFPUC regional system during periods of shortage, subject to provisions regarding water quality impacts and cost reimbursement.

**D. Water Quality**

1. Meet Safe Drinking Water Act Standards; Notice. The Agreement commits the SFPUC to deliver treated water meeting federal and state primary drinking water standards: maximum contaminant levels (MCL's) and treatment techniques. The next update of the SFPUC Water Quality Notification and Communication Plan will include expanded coverage of secondary MCL exceedances. The SFPUC will provide notice to wholesale customers of any exceedance concurrently with notice provided to operators of the In-City retail distribution system.

2. Joint Water Quality Committee. A Water Quality Committee will be established, composed of a representative from the SFPUC and from each wholesale customer. The committee will meet at least quarterly to collaboratively address water quality issues. The Committee's Chair and Vice Chair will rotate between SFPUC and the wholesale customers.

**E. Conservation**

1. Wholesale Customers. The Agreement commits the wholesale customers to take actions, within their legal authority, regarding water conservation that are necessary to ensure that the SFPUC remains eligible to receive state and federal grants and other financial assistance and to participate in the State Drought Water Bank.

2. SFPUC Support for BAWSCA Conservation Programs. The Agreement commits the SFPUC to collect a "water management charge," if and when such a charge is established by the BAWSCA board of directors, and to remit those funds to BAWSCA to support regional water conservation measures and development of alternative supplies approved by the BAWSCA board of directors.

3. The "Green Option" to be Explored. The Agreement commits San Francisco to work with BAWSCA to explore ways to support water conservation and recycling in locations outside the Bay Area. This will include a particular focus on agricultural conservation/efficiency projects of the type described in the "Green Option," recommended by BAWSCA in its comments on the Program Environmental Impact Report on the WSIP, which can benefit the Tuolumne River.

**F. Operational Issues**

1. Service Areas. The Agreement continues existing restrictions on sales of water outside wholesale customers' service areas.<sup>5</sup> It clarifies and continues the existing contract provisions regarding expansion of service areas (SFPUC approval is needed, but cannot be withheld unreasonably) and sales to other wholesale customers (pre-approved in emergencies; otherwise SFPUC approval is needed, but cannot be withheld unreasonably).

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<sup>5</sup> The service area maps will be updated and attached to each agency's new individual Water Sales Contract. (Each wholesale customer has, and will continue to have, two contracts with San Francisco. One is the lengthy Water Supply Agreement which is identical for each agency. The other is a much shorter document that addresses the specifics for each agency: its service area map, connections to the regional water system, interties with neighboring agencies, etc.)

2. Use of Local Sources. The Agreement extends the "best efforts" commitment to use of local sources to the SFPUC as well as the wholesale customers. Local sources include surface water, groundwater and available recycled water. The contractual obligation is subject to considerations of economic feasibility and the environmental and water supply reliability impacts of using these local sources.

3. Purchases from Third Parties; "Take or Pay" for Dual Source Agencies. The Agreement continues the prohibition on purchases from other sources if the SFPUC is able and willing to supply all water needed. It also expands exceptions to this prohibition by making it inapplicable to purchases of recycled water. In other words, wholesale customers that do not have direct access to a source of recycled water – i.e., a sewage treatment plant – may purchase from those that do.

The Agreement also allows the "dual source" agencies (Alameda County Water District, Milpitas, Mountain View, and Sunnyvale) to continue purchases from other suppliers, such as the California Department of Water Resources and the Santa Clara Valley Water District, subject to a required minimum purchase from SFPUC. These minimum "take or pay" commitments have each been reduced by five percent from current levels. Minimum purchase requirements in San Jose's and Santa Clara's current individual contracts are to be deleted in their new individual contracts. Also, the new Agreement makes clear that wholesale customers are not obligated to purchase water from SFPUC in amounts larger than their individual Supply Guarantees.

**G. Interim Limit of 184 MGD Through 2018**

1. No Decision by SF on Increase in Supply Assurance until 2018. The Agreement recognizes the SFPUC's unilateral decision made last October to defer any consideration of an increase in the 184 MGD Supply Assurance until 2018. It requires the SFPUC to make that decision by December 2018, after completing necessary cost analyses and CEQA evaluation/documentation. The Agreement does not constitute concurrence by

wholesale customers in SFPUC's limitation and also preserves the wholesale customers' claim that they are legally entitled to water in excess of 184 MGD.

2. Interim Limit on Sales until 2018. In October 2008, San Francisco independently established a self-imposed limit on sales of water from surface watersheds to 265 MGD until 2018. At the same time, it also established subsidiary limits of (a) 81 MGD for City retail customers and (b) 184 MGD for all 27 wholesale customers, including San Jose and Santa Clara.

Another element of this limitation, also adopted by the SFPUC in October 2008, is a schedule for allocating the 184 MGD interim limit among all wholesale customers: those allocations will be decided on by the Commission in December 2010.<sup>6</sup>

The SFPUC also decided last October that it will enforce these interim limitations through an "environmental enhancement surcharge" to be applied to purchases over 81 MGD (by City retail customers) or over the individual limitations assigned to each of the 27 wholesale customers, if and when total use exceeds 265 MGD.

The Agreement recognizes all of these decisions and provides procedural rules for establishing the interim limitations and surcharges and for the use of funds generated by the surcharges. It also allows wholesale customers to transfer portions of these interim limits among themselves, again subject to very limited SFPUC oversight. But it does not constitute wholesale customers' concurrence in the interim limitations themselves and preserves wholesale customers' ability to challenge the limitations assigned to them, and the imposition of surcharges, in court.

Some of the mechanics that are included in the Agreement include:

- The amount of the environmental surcharge will be established by the SFPUC during the spring of 2011 and the surcharges will become operative in FY 2011-12.

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<sup>6</sup> These allocations are entirely distinct from the permanent "Supply Guarantees." For example, they will apply to all 27 agencies, will last only until 2018, and their only purpose is to determine when the surcharge described in the immediately following paragraph in the text will apply.

- Whether or not to levy the surcharge will be determined after the close of each fiscal year and will apply only if total sales during that year exceeded 265 MGD.
- If the 265 MGD threshold is exceeded, then the surcharge will apply only to wholesale customers that purchased more than their interim limitation, and only to quantities in excess of that limitation. The amount due would be determined after the close of each fiscal year (beginning with FY 2011-12) and would be paid in equal monthly installments over the balance of the following fiscal year (beginning with FY 2012-13).
- Funds raised by the surcharge will be deposited in a restricted reserve fund, not subject to transfer to the SF General Fund, and will be expended only on environmental enhancement measures in the SFPUC's Sierra and local watersheds. (Surcharges are not due unless and until this restricted reserve fund is established by ordinance of the San Francisco Board of Supervisors.)
- Specific projects to which the funds will be directed will be decided by SFPUC's General Manager and BAWSCA's General Manager/CEO, after soliciting input from interested members of the public, including environmental groups.

3. Status of San Jose and Santa Clara. The Agreement provides that both cities will remain temporary and interruptible customers until 2018. The maximum amount that the SFPUC will deliver to them collectively until 2018 is 9 MGD. Their interim limitations, described in the preceding section, when assigned in December 2010, may be lower. SFPUC water may be used only within the two cities' existing service areas (the northern portions of each city).

- Starting in December 2010, the SFPUC will annually consider a report which will include water demand projections and conservation work plans through 2018. If the SFPUC decides, on the basis of that report, that the 265 MGD limit will not be achieved in 2018, it may issue a conditional notice of reduction, or interruption, in supply to San Jose and Santa Clara.

- Deliveries will not be reduced or terminated until the SFPUC has completed the required CEQA process and will not occur for the longer of (1) five years from the notice or (2) two years from completion of the CEQA process.

- The SFPUC will decide by December 2018 whether long term supplies are adequate to serve San Jose and Santa Clara, as well as the SFPUC's retail and other wholesale customers and, if so, whether to make the two cities permanent customers.

**H. Limits on SFPUC Taking on New Customers.**

Before 2018, San Francisco may not take on any new wholesale customers (1) until it has completed CEQA review, and (2) unless San Jose and Santa Clara are concurrently made permanent customers and the Agreement is amended to accommodate their addition.

After 2018, San Francisco may not take on any new wholesale customers (1) until it has completed CEQA review, (2) unless system reliability is improved and (3) unless San Jose and Santa Clara are made permanent customers and the Agreement amended.

San Francisco may not take on new retail customers, outside City boundaries, except in areas adjacent to existing retail customers and no more in aggregate than 0.5 MGD additional demand.

**I. BAWSCA Involvement in SFPUC Planning for New or Alternate Supplies**

If regulatory or other events impact San Francisco's ability to maintain the Supply Assurance from its existing surface water supplies, it may develop substitute supplies, and will collaborate with the wholesale customers in doing so. If, after 2018, San Francisco elects to increase the Supply Assurance using water from its existing surface water supplies, it may charge the wholesale customers in accordance with the cost allocation provisions of the Agreement. If San Francisco seeks to develop new sources to increase the Supply Assurance, engineering studies and ensuing water supply projects will be conducted jointly with BAWSCA under separate agreements specifying the purpose of the project, anticipated regional benefits, and how costs will be allocated.

**PART TWO**  
**COST (Articles 5, 6 and 7 of Agreement)**

**A. Overview**

1. Basic Principles Unchanged. The fundamental cost allocation principles underlying the 1984 Contract are continued in the new Agreement. These include:

- Wholesale customers should not pay for SFPUC programs/facilities that are used only in the generation/transmission of electric power or only in the collection/treatment of San Francisco wastewater.
- Wholesale customers should not pay for Water Enterprise programs/facilities that benefit only SFPUC's retail water customers, both inside and outside of San Francisco.
- Wholesale customers and City retail customers should both pay for costs of building and operating the regional water system, from which they both benefit.
- The costs of the regional water system which should be shared include:
  - The costs of building and operating the water-related facilities in Hetch Hetchy (e.g., the pipelines).
  - An appropriate share of the costs of building and operating joint facilities in Hetch Hetchy (e.g., the dams).
  - The costs of building and operating facilities for transmission, storage and treatment of water located in Alameda, Santa Clara, and San Mateo Counties, and the three terminal reservoirs in San Francisco.
  - An appropriate share of costs incurred inside San Francisco, but that benefit the regional water system (e.g., costs of various SFPUC bureaus that support the operating departments and San Francisco Water Enterprise's own administrative and general costs).
- The cost of the regional water system should be divided between the City retail customers and wholesale customers based on their proportionate annual use of water delivered by the Regional Water System.

2. Basic Implementing Rules and Practices Unchanged or Improved. Water usage will be determined by accurate, well-maintained and regularly-calibrated meters. The standards for meter accuracy are now spelled out in the Agreement, as are the procedures and schedules for maintenance and calibration of meters.

Costs will be determined by SFPUC's maintaining a system of accounting, consistent with Generally Accepted Accounting Principles as applied to governmental enterprises, that allows for the costs that are properly chargeable to the wholesale customers to be separated from those that are not.

The annual amount due from all wholesale customers (the "Wholesale Revenue Requirement") will be determined by applying the Agreement's detailed cost allocation rules to the costs actually incurred, based on actual water usage by City retail and wholesale customers during each fiscal year. That amount will be compared to revenues actually billed to wholesale customers for that year. The difference will be posted to a "balancing account." If wholesale customers were charged more than the amount calculated to have been due, the overcharge will be entered as a credit in the balancing account. Conversely, if wholesale customers were billed less, the undercharge will be recorded in the balancing account and may be recovered in future years' rates. Amounts in the balancing account, whether positive or negative, will earn interest at the same rate as SF's pooled investment funds.

3. Changes in Methodology Primarily Relate to Capital Costs. There have been few changes in calculating and allocating operation and maintenance ("O&M") costs. More substantial changes have been made in the treatment of administrative and general ("A&G") costs. But these are largely efforts to simplify calculations and are not expected to have a major impact on the Wholesale Revenue Requirement.

By contrast, the new Agreement makes significant changes in how wholesale customers contribute to repayment of funds advanced by San Francisco to construct capital assets. The 1984 Contract adopted the "utility method" of recovering capital investments. Under this approach, wholesale customers paid depreciation and a return on the net book value of assets in the rate base. The new Agreement replaces the utility method with the "cash method" on a going-forward basis. Under this method, wholesale customers will pay

their proportionate share of SFPUC's annual debt service payments and capital improvements funded out of revenues.

The Agreement greatly simplifies the wholesale customers' repayment of their share of assets already built and in service as of June 30, 2009. Instead of calculating the amount due each year, the new Agreement provides for specified level payments over 25 years. The result will be that wholesale customers will have fully paid off their share of the existing "rate base" (about \$382 million) in 2034, rather than continuing to pay down the amount due over the assets' useful lives - which in many cases could extend decades past that date. Please see Section B.5 below for a more detailed description of the approach to capital costs in the new Agreement.

In addition, the tables which appear at the end of this report, and which are also incorporated into the Agreement itself, illustrate the application of the cost allocation rules in Section B as applied to budgeted costs for the next fiscal year (FY 2009-10).

## **B. Individual Cost Categories**

1. Operating and Maintenance ("O&M") Expenses. There are five subcategories of O&M expenses:

(i) Source of Supply: Regional system costs will continue to be allocated on the basis of annual proportional usage. The Agreement will reaffirm the general principle that the location of facilities determines their classification as City Retail or Regional. This is important since San Francisco plans to construct water recycling and groundwater projects inside the City in the immediate future. Absent negotiated clarity in the Agreement, those facilities could have been asserted to have value for all customers, and their costs (both capital and operating) allocated in part to wholesale customers. The proposed South Westside Groundwater Basin conjunctive use project (in which Cal Water, Daly City and San Bruno are

jointly participating with SFPUC) will be considered a Regional project because of the benefits it will provide to the Regional System (i.e., all customers) during drought.

(ii) Pumping: Costs of operating and maintaining pumping facilities outside San Francisco will continue to be allocated on proportional annual usage.

(iii) Purification: Because the treatment plants are located outside the City, all costs associated with them have been, and will continue to be, classified as Regional and allocated on the basis of proportional annual usage. The new Agreement requires that expenses associated with the Water Quality Division's laboratories be fairly allocated between the Wastewater Enterprise and the Water Enterprise, with only the latter being reallocated between City Retail and Regional customers. Also, the costs allocated will be further reduced by revenues received for work done by the laboratories for third party customers.

(iv) Transmission and Distribution ("T&D"): The expenses in this category are divided between City Retail and the Regional system based on geographic location with one exception: the three in-City terminal reservoirs are considered components of the regional system. This classification is appropriate and will continue, as will allocation of Regional T&D costs on proportional annual use.<sup>7</sup>

(v) Customer Accounts: Currently all SFPUC Customer Accounts expenses are divided 98% to City and 2% to wholesale customers. The new Agreement provides that only the Water Enterprise's share of Customer Accounts will be included; the cost of Customer Accounts for Wastewater and Hetch Hetchy Water and Power will be excluded. The 98/2 percent allocation will continue, applied to that smaller amount.

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<sup>7</sup> There will be two changes, both requested by the City. Engineering and supervision expenses incurred outside the City, in the Water Supply and Treatment Division, are currently classified as A&G, unlike those incurred inside the City, which are treated as City Distribution Division O&M. BAWSCA has agreed to change the treatment so that these expenses are uniformly classified as O&M, provided that some in-City costs currently classified as Regional A&G are reclassified as City Retail. A similar treatment will apply to vehicle and building maintenance expenses.

2. Property Taxes. San Francisco Water Enterprise properties and improvements in Alameda, San Mateo and Santa Clara Counties are subject to property taxes levied by those counties. The 1984 Contract classifies 100% of these tax payments as Regional and allocates them between City Retail and wholesale customers on the same basis that most O&M expenses are allocated -- proportional annual water use. The new Agreement continues this, as well as the focus on net taxes; that is, tax refunds and taxes that are paid by tenants of City properties such as golf courses will be excluded.

3. Administrative and General (“A&G”) Expenses. There are three subcategories within this classification:

(i) City Overhead: This category consists of expenses of support services provided by the City’s central services departments that are not billed directly to the SFPUC. City overhead is allocated to the City’s operating departments through the Countywide Cost Allocation Plan (“COWCAP”) prepared by the City Controller.

For technical reasons no longer relevant, the parties in 1984 adopted a surrogate dollar amount, inflated each year by the CPI, in lieu of the COWCAP. The current contract allowed the parties to revisit this issue every five years, but both the City and wholesale customers have been satisfied to stay with the annually-inflated “deemed overhead” amount. The reasons for the initial adoption of the surrogate amount no longer apply. Moreover, San Francisco presented data showing that the “deemed overhead” figure had not allowed it to fully recover general City overhead as determined by the Controller and argued for using the actual COWCAP figure in the future. BAWSCA agreed.

(ii) SFPUC Bureaus: This subcategory consists of support services provided by the various SFPUC bureaus (e.g., Finance, Information Technology, Human Resources, etc.) to the three operating departments (or “enterprises” as they are now called). The current contract provides that SFPUC will allocate federally reimbursable costs in

accordance with an “Indirect Cost Allocation Plan” approved by the U.S. Department of Health and Human Services. Costs that are not federally reimbursable are to be allocated in accordance with a detailed list of metrics. This arrangement is no longer functional. The SFPUC no longer submits an Indirect Cost Allocation Plan to the federal government and hasn’t done so for many years. And the allocational metrics specified in the Contract, while reasonable in 1984, are in many cases now out of date. BAWSCA developed an alternative formula which uses a readily-available statistic (salaries of the three operating enterprises) to divide bureau costs among the Water Enterprise, the Wastewater Enterprise, and the Hetch Hetchy Water and Power Enterprise.

(iii) Water Enterprise Administrative and General: As a corollary to the change in engineering and supervision expenses and vehicle and building maintenance expenses described above (Section II.B.iv), costs of the City Distribution Division and the Water Supply and Treatment Division previously included in joint A&G are now removed. Remaining A&G expenses are primarily those associated with Water Enterprise administration.

In each of these three categories, costs that clearly provide no benefit to the wholesale customers will be identified and excluded. The remaining costs will be divided between City Retail and wholesale customers on one of two formulas. First, costs of COWCAP and Water Enterprise A&G will continue to be allocated between City and wholesale customers based on the composite O&M percentage.<sup>8</sup> Second, SFPUC Bureau Costs will be divided between City retail and wholesale customers based on proportional annual usage.

Some of the changes to the treatment of O&M and A&G costs described above benefit the City; others benefit the wholesale customers. Overall, they are

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<sup>8</sup> Historically, this formula has assigned between 34-37% of these costs to wholesale customers. With the reduced amount of Customer Accounts costs included in the formula, the wholesale percentage will increase by about 3%-5%.

estimated to increase the wholesale customer share of these costs by approximately \$500,000 to \$1 million annually.

4. Hetch Hetchy Non-Capital Costs. Currently, Hetch Hetchy O&M expenses are identified as water-specific, power-specific, or joint. Wholesale customers pay no part of power-specific costs and less than half of the joint costs. The water-specific costs and 45% of the joint costs are allocated between City and wholesale customers on the basis of proportionate annual water use (with a minor adjustment to reflect sales of water to other customers upstream of the Bay Area). There will be no change to these principles.

Administrative and General costs are similarly classified. Water-related costs, including 45% of joint A&G, are again split between City and wholesale customers on the basis of adjusted annual proportionate use. Apart from use of COWCAP, and simplification of one allocational step, this will continue. Hetch Hetchy's share of Customer Accounts expenses has never been assigned to wholesale customers and will not be under the new Agreement.

Property taxes on Hetch Hetchy land and facilities were previously allocated among water, power and joint based on detailed analysis of asset classifications. The new Agreement will simply classify taxes as joint, with 45% allocated to water, and the wholesale customers' share based on adjusted annual water use.

These changes are expected to have a very minor impact on the amount of non-capital Hetch Hetchy costs allocable to the wholesale customers.

5. Capital Costs

(i) Existing Assets: Repayment of the wholesale customers' share of existing assets (i.e., those capitalized on or before June 30, 2009) is effectively converted from the utility method to an amortization schedule derived from the utility method, with several modifications:

- The current rate base will be replaced by a principal amount due (i.e., the wholesale share of the existing assets) excluding the “working capital” allowance, about 15% of annual O&M expenses, which is permitted by the existing Contract.
- The current depreciation will be replaced by principal repayments.
- Interest will be paid on the outstanding principal, will be fixed at 5.1%, and will be decoupled from the variable equity rate of return allowed by the California Public Utilities Commission -- currently about 10%.
- Principal and interest will be repaid in equal annual payments over the next 25 years.

On both a nominal and present discounted value basis, the payments by wholesale customers for their share of the current rate base (about \$382 million including both SFWD and Hetch Hetchy) will be less under this approach than under a continuation of the 1984 Contract methodology. The fixed return also eliminates the fluctuation in payments due to future changes in the equity rate of return allowed by the California Public Utilities Commission.<sup>9</sup>

(ii) New Assets: Starting with FY 2009-2010, wholesale customers will, like San Francisco retail customers, pay for capital projects on the “cash” basis.

This will mean, in practice, that wholesale customers will pay a proportionate share of (1) debt service (i.e., payment of principal and interest on SFPUC bonds and commercial paper) related to regional system assets, and will contribute a corresponding share of the SFPUC’s “debt service coverage” obligation, and (2) capital projects in the regional system that SFPUC pays for out of revenues on a “pay-as-you-go” basis, rather than from borrowed funds.

In order to implement this, the new Agreement continues the existing Contract’s method for distinguishing between in-City and Regional assets. But the

<sup>9</sup> Revenues raised from retail customers through SFPUC appropriations prior to 2009 for revenue-funded regional projects not actually expended as of June 30, 2009 will be tracked as they are spent during the first three years of the new Agreement. That amount will then be amortized through level payments over a 10-year period, at 4% interest.

allocation of differing percentages of the costs of those assets, based on usage patterns other than annual average use, has been deleted. BAWSCA and SFPUC agreed to eliminate the division of assets into “current” and “ultimate” categories and to also eliminate the “maximum hour” and “maximum day” categories. These distinctions were insisted on by San Francisco in 1984 and have added considerable complexity to the calculation of each year’s Wholesale Revenue Requirement. Dispensing with them substantially reduces the number of categories of regional system assets and will simplify administration of the new Agreement, without significantly changing the overall allocation of costs.

Debt service “coverage” is the ratio of annual net revenues (and other qualifying funds) to annual debt service payments. Revenue bond indentures typically include a covenant by the issuer to maintain a minimum Debt Service Coverage (“DSC”) ratio. The higher the ratio, the more security for repayment is provided to the bondholders, which aids in achieving lower borrowing costs, which in turn benefits all system users.

The 2006 Series A Water Revenue Bonds indenture has a 1.25 minimum DSC covenant: net revenues and available fund balances must be at least 1.25 times the annual debt service payment due. The new Agreement includes a proportionate contribution to maintaining required coverage in the calculation of revenues for which wholesale customers are responsible. Wholesale payments in excess of debt service itself will be allocated to a reserve fund balance. Interest earned on the fund will be credited to wholesale customers. The Coverage Reserve is also expected to satisfy wholesale customers’ share of the Water Enterprise’s working capital requirements.

The wholesale customers will also contribute their share (based on annual proportional water use) towards new regional system capital projects paid for out of revenues. SFPUC considers the San Francisco Charter to require that it have funds on hand sufficient to pay for a project before it awards a construction contract. Under the cash method,

rates for both San Francisco retail customers and wholesale customers will be set based on annual appropriations fixed by the Commission in its budget, rather than on amounts subsequently expended. As with the debt service coverage issue, wholesale revenues used for revenue-funded capital projects will be transferred to a restricted reserve, interest on which will be credited to the wholesale customers. And at five year intervals, surplus accumulations in the fund (i.e., those neither spent nor formally encumbered) will be transferred to the wholesale customers' credit in the balancing account.

**C. Rates and Balancing Account**

1. Rates and Rate Structure. The requirements in the current Contract for the SFPUC to provide budget information, an explanation of how rates for the upcoming fiscal year have been calculated, and advance notice of Commission action on rates will all be continued. The current Contract has allowed the SFPUC considerable latitude in establishing the structure of wholesale rates -- that is, the relationship among the various components of the rate schedule (e.g., meter service charge, consumption charge, etc.). The Contract did require that the rate structure not be arbitrary, unreasonable or unjustly discriminatory as among the wholesale customers. This same approach is continued in the new Agreement. In addition, the new Agreement also provides for longer advance notice of any proposed changes in rate structure, together with an analysis of how the proposed change would affect different groups of wholesale customers and an ample opportunity for wholesale customers to comment on the proposals before they are presented to the Commission by SFPUC staff.

2. Balancing Account. The new Agreement retains the annual reconciliation between the amount due from wholesale customers (applying the formulas in the Agreement to actual costs and actual water sales) and the amount actually charged to wholesale customers. The difference will then be added to -- or subtracted from -- a "balancing account" which will earn interest and which can be taken into account in setting rates for future years. The 1984 Contract was, in retrospect, overly rigid in requiring the balancing account to be "zeroed out" as

soon as possible, which in turn led to excessive fluctuations in wholesale rates, as one correction created a need for an offsetting correction in a subsequent year. The new Agreement allows far more flexibility in dealing with the annual variances than the 1984 Contract did. For example, “positive” balances (those in favor of the wholesale customers) will in general be held as a rate stabilization account; and “negative” balances (those in favor of SFPUC) may be drawn down over three years rather than one. If a significant positive balance develops and persists for three years, wholesale customers may, through BAWSCA, direct that some or all of the credit be applied to one of several purposes, such as paying off existing assets more quickly.

**D. Accounting and Auditing**

The current Contract requires the SFPUC to maintain a rigorous accounting system and to carefully calculate and clearly document each year the annual Wholesale Revenue Requirement. That calculation is then audited by an independent CPA, in accordance with Generally Accepted Auditing Standards, which then issues its own “compliance audit” report. All these protections for wholesale customers will be retained. Some procedural requirements have been simplified, but a new provision has been added requiring SFPUC senior management to personally take responsibility for the SFPUC’s calculation of the accuracy of the annual Wholesale Revenue Requirement.

**PART THREE**  
**ADMINISTRATIVE PROVISIONS**

**A. Term (Section 2.01)**

The new Agreement will have a term of 25 years, running from July 1, 2009 to June 30, 2034. It may be extended for one, or two, additional five-year periods with the consent of the SFPUC and wholesale customers representing at least two-thirds in number and seventy-five percent (75%) of wholesale customers’ water use. If a wholesale customer does not want

to remain a party to the Agreement as extended, it cannot be compelled to do so by the decision of other wholesale customers.

**B. Unanimous Participation Not Necessary (Section 2.02)**

The Agreement assumes that all 27 wholesale customers will sign it, as well as an individual water sales contract (with the exception of Hayward, which will continue its 1962 contract in force). However, it does not require 100% participation to become effective. So long as 21 or more wholesale customers, representing collectively 75% or more of water use in 2007-08, have signed both agreements by September 1, San Francisco may waive the requirement of unanimity, at which point the Agreement will become effective for all agencies that have signed.<sup>10</sup>

**C. Amendments to Agreement (Section 2.03)**

The 1984 Contract is extremely difficult to amend, requiring concurrence by a very large super-majority of wholesale customers. BAWSCA agrees with the SFPUC's suggestion that some aspects of the new Agreement should be somewhat easier to amend. However, super-majorities, in terms of both the number of agencies (two-thirds) and the percentage of water purchased (75%), continue to be required to amend basic provisions. Amendments affecting an individual agency's "fundamental rights" under the Agreement cannot be adopted without the approval of that agency.

**D. Delegation of Administrative Tasks to BAWSCA (Section 8.04)**

When the 1984 Contract was negotiated, there was no durable, representative organization which could be delegated responsibility to act as agent for contract administration on behalf of the wholesale customers. BAWSCA's predecessor, the Bay Area Water Users Association (BAWUA), was at that point simply an unincorporated association, governed entirely

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<sup>10</sup> The number necessary to constitute 2/3rds of the total may drop to 20 if California Water Service Company's (Cal Water) acquisition of the assets of Skyline County Water District closes before June 30, 2009, thereby reducing the total number of wholesale customers from 27 to 26.

by city and water agency staff. For that reason, the 1984 Contract provided for a variety of administrative decisions to be made by five “Suburban Representatives” -- agencies to be chosen by all BAWUA members or, absent a selection, the five largest agencies. In practice, the default option became the rule and for the past 25 years decisions about financial aspects of the contract, including the annual audit of the Wholesale Revenue Requirement, and initiation of arbitration, have been formally made by staff members of the five largest agencies, supported by BAWUA staff and consultants.

With BAWSCA’s formation in 2002, wholesale customers have available a significantly better alternative to attend to a number of technical but important matters, many of which will require oversight and decisions each year. As a regional government agency, whose board of directors is comprised largely of elected officials, and with a capable professional staff, BAWSCA is both durable and well prepared to assume responsibility for many of these administrative tasks. The new Agreement takes advantage of this development by assigning the tasks previously handled by the Suburban Representatives to BAWSCA. It also enables the BAWSCA board of directors to amend several technical attachments to the Agreement, such as those describing the details of water meter maintenance/calibration, and financial reporting.

**E. Annual Meeting with SFPUC Senior Management (Section 8.03)**

Annual meetings of SFPUC senior management with the wholesale customers will be continued, covering topics such as water supply conditions and outlook, capital projects under construction and planned, forecasts of wholesale water purchases and rates, etc. The awkward and inaccurate name given to them in the 1984 Contract (Suburban Advisory Group, or “SAG”) will be omitted. The new Agreement also establishes other avenues for communication between the SFPUC and the wholesale customers. One is the Water Quality Committee mentioned previously. Another is a commitment by the SFPUC to send representatives to the BAWSCA Technical Advisory Committee, if and when requested.

**F. Dispute Resolution; Limitations on Damages (Section 8.01; Section 8.14)**

The existing Contract requires that disputes related to the calculation of the Wholesale Revenue Requirement be resolved through mandatory binding arbitration. This will be continued. The length of time within which arbitration must be initiated has been shortened from 18 months after the delivery of the Compliance Auditor's report to 12 months. Disputes over other matters, such as water supply, may be presented to a court.

The Agreement limits all parties' exposure to (as well as their entitlement to) damages for breach of contract to "general damages" - those which are clearly foreseeable. There are no corresponding limits on recovery of tort damages.

**G. Special Provisions for Some Agencies (Article 9 of Agreement)**

Article 9 of the 1984 Contract contained provisions for 12 agencies which had one or another unique situation not shared by other wholesale agencies, but important enough to warrant inclusion in the overall Contract to insure that all parties were aware of, and consented to, these particularized arrangements. The reasons for special treatment of several agencies in 1984 (including ACWD, Coastside, and Daly City) no longer exist. However, the new Agreement continues to include individual sections applying to Brisbane/GVMID, Cal Water, Estero Municipal Improvement District, Hayward, Hillsborough, San Jose, Santa Clara and Stanford. The provisions in the sections applicable to Estero and San Jose/Santa Clara merit brief discussion.

1. Estero Municipal Improvement District. Estero's 1961 contract has a term of 50 years, rather than the typical 25 years. As a result, it will not expire until July 1, 2011. Accommodating to this, the 1984 Contract provides that Estero's individual Supply Guarantee will be based on its water purchases from SFPUC in the last calendar year of the old Contract -- i.e., 2010. Estero has proposed an alternative approach to fixing its permanent Supply Guarantee: adopting a fixed amount now, and specifying that amount in the new Agreement,

rather than waiting to see what occurs in 2010. The amount proposed is 5.9 MGD, about 0.3 MGD more than Estero's recent use. Substantial support for, and no opposition to, this proposal was voiced at a meeting of the official representatives of the wholesale customers held in mid-March. Accordingly, it is included in the new Agreement.

2. San Jose and Santa Clara. San Jose and Santa Clara have never had individual Supply Guarantees, because of their status as temporary customers. The new Agreement does not provide them Supply Guarantees. It does, however, commit SFPUC to supply them up to 9 MGD through 2018, subject to various contingencies.<sup>11</sup> The Water Supply Agreement does not allocate the 9 MGD cap between the two cities. That decision will be made solely by San Jose and Santa Clara; other wholesale customers are not involved. Once made, the decision will be incorporated in each city's individual Water Sales Contract with the SFPUC.

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If legal counsel for any of the wholesale customers have questions about this summary report, the new Water Supply Agreement, Individual Water Sales Contracts, or the process by which (and the schedule on which) they are to be considered for approval by each wholesale customer, they should feel free to contact either of the attorneys at Hanson Bridgett whose names appear below.

Respectfully submitted,

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<sup>11</sup> This commitment does not extend beyond 2018 and does not affect the permanent Supply Guarantees of other wholesale customers.

The two following pages are copies of two attachments to the new Water Supply Agreement. They are high-level summaries, illustrating the application of the cost-allocation principles in the Water Supply Agreement to a particular year -- in this case, FY 2009-10.

The first page (Attachment N-2, Schedule 1) shows the calculation of the overall Wholesale Revenue Requirement (\$140,994,733), which includes \$28,903,512 attributable to the Hetch Hetchy Water and Power Enterprise. This schedule also shows the amount to be contributed to the Wholesale Debt Service Coverage Reserve (\$4,488,233) in FY 2009-10.

The second page (Attachment N-2, Schedule 4) provides details showing how the \$28,903,512 Hetch Hetchy component was calculated.

The dollar values and water use percentages shown in these schedules are merely estimates. The schedules are intended to be illustrative, rather than predictive. However, they may be of assistance when reading Part Two of the Summary Report, which describes the Agreement's cost-allocation principles and formulas.

WHOLESALE REVENUE REQUIREMENT SCHEDULES  
 CALCULATION OF WHOLESALE REVENUE REQUIREMENT  
 FISCAL YEAR 2009-10  
 REFERENCE ARTICLE 5

ATTACHMENT N-2  
 SCHEDULE 1

EXPENSE CATEGORY	CONTRACT REFERENCE	SCHEDULE REFERENCE	TOTAL	DIRECT RETAIL	DIRECT WHOLESALE	REGIONAL	JOINT EXPENSE ALLOCATION FACTOR	WHOLESALE SHARE
OPERATING AND MAINTENANCE EXPENSE:								
SOURCE OF SUPPLY	5.05 (A)	SCH 8.1	\$ 14,943,953	\$ 1,251,062	\$ -	\$ 13,692,891	ANNUAL USE <sup>1</sup>	\$ 9,364,568
PUMPING	5.05 (B)	SCH 8.1	\$ 4,342,682	\$ 3,854,000	\$ -	\$ 488,682	ANNUAL USE <sup>1</sup>	\$ 334,210
TREATMENT	5.05 (C)	SCH 8.1	\$ 30,445,053	\$ -	\$ -	\$ 30,445,053	ANNUAL USE <sup>1</sup>	\$ 20,821,372
TRANSMISSION & DISTRIBUTION	5.05 (D)	SCH 8.1	\$ 53,416,232	\$ 30,163,286	\$ -	\$ 23,252,946	ANNUAL USE <sup>1</sup>	\$ 15,902,690
CUSTOMER ACCOUNTS <sup>2</sup>	5.05 (E)	SCH 8.1	\$ 7,552,213	\$ 7,401,169	\$ 151,044	\$ -	2%	\$ 151,044
TOTAL O&M			\$ 110,700,133	\$ 42,669,517	\$ 151,044	\$ 67,879,572		46,573,883
COMPOSITE % (WHOLESALE SHARE / TOTAL O&M)	5.06 (C)							42.07%
ADMINISTRATIVE AND GENERAL EXPENSES:								
COWCAP	5.06 (A)	SCH 8.1	\$ 1,238,009	\$ -	\$ -	\$ 1,238,009	COMPOSITE O&M	\$ 520,857
SERVICES OF SFPUC BUREAUS	5.06 (B)	SCH 7	#REF!	#REF!	\$ -	#REF!	ANNUAL USE <sup>1</sup>	#REF!
OTHER A&G	5.06 (C)	SCH 8.1	\$ 12,972,477	\$ 4,009,891	\$ -	\$ 8,962,586	COMPOSITE O&M	\$ 3,770,749
COMPLIANCE AUDIT	5.06 (D)	SCH 8.1	\$ 200,000	\$ -	\$ -	\$ 200,000	50%	\$ 100,000
TOTAL A&G			#REF!	#REF!	\$ -	#REF!		#REF!
PROPERTY TAXES	5.07	SCH 8.1	\$ 1,417,293	\$ -	\$ -	\$ 1,417,293	ANNUAL USE <sup>1</sup>	\$ 969,287
CAPITAL COST RECOVERY								
PRE-2009 ASSETS	5.03	ATT K						\$ 24,051,326
DEBT SERVICE ON NEW ASSETS	5.04 (A)	SCH 2						#REF!
REVENUE FUNDED ASSETS - APPROPRIATED TO WHOLESALE CAPITAL FUND	5.04 (B)	SCH 3						#REF!
TOTAL CAPITAL COST RECOVERY								#REF!
WHOLESALE SHARE HETCH HETCHY WATER & POWER	5.04	SCH 4						#REF!
WHOLESALE REVENUE REQUIREMENT								#REF!
WHOLESALE REVENUE COVERAGE <sup>3</sup>								#REF!

<sup>1</sup>Proportional Annual Use (68.39%)

<sup>2</sup>Water Enterprise Share of Customer Accounts Expenses (62% of Total Customer Accounts Expenses)

<sup>3</sup>25% of Wholesale Share of Debt Service

WHOLESALE REVENUE REQUIREMENT SCHEDULES  
 CALCULATION OF WHOLESALE SHARE OF HETCH HETCHY WATER & POWER  
 FISCAL YEAR 2009-10  
 REFERENCE ARTICLE 5

ATTACHMENT N-2  
 SCHEDULE 4

EXPENSE CATEGORY	CONTRACT REFERENCE	SCHEDULE REFERENCE	TOTAL	POWER SPECIFIC	WATER SPECIFIC	JOINT	JOINT ALLOCATION PERCENTAGE	WATER-RELATED TOTAL	WHOLESALE ALLOCATION FACTOR	WHOLESALE SHARE
OPERATION AND MAINTENANCE										
OPERATION	5.08 B 1	SCH 8.2	\$ 44,612,220	\$ 31,853,965	\$ 9,557,861	\$ 3,200,394	45%	\$ 10,998,038	ADJUSTED PROPORTIONAL ANNUAL USE	\$ 7,484,165
MAINTENANCE	5.08 B 1	SCH 8.2	\$ 16,868,612	\$ 5,048,039	\$ 3,238,622	\$ 8,581,951	45%	\$ 7,100,500	ADJUSTED PROPORTIONAL ANNUAL USE	\$ 4,831,890
TOTAL OPERATION AND MAINTENANCE			\$ 61,480,832	\$ 36,902,004	\$ 12,796,483	\$ 11,782,345		\$ 18,098,538		\$ 12,316,055
ADMINISTRATIVE AND GENERAL										
COWCAP	5.08 B 2	SCH 8.2	\$ 1,139,579	\$ -	\$ -	\$ 1,139,579	45%	\$ 512,811	ADJUSTED PROPORTIONAL ANNUAL USE	\$ 348,968
SERVICES OF SFPUC BUREAUS	5.08 B 2	SCH 7	#REF!	#REF!	#REF!	\$ -	45%	#REF!	ADJUSTED PROPORTIONAL ANNUAL USE	#REF!
OTHER A&G	5.08 B 2	SCH 8.2	\$ 25,581,481	\$ 14,913,071	\$ 36,070	\$ 10,632,340	45%	\$ 4,820,623	ADJUSTED PROPORTIONAL ANNUAL USE	\$ 3,280,434
CUSTOMER ACCOUNTS	5.08 B 2	SCH 8.2	\$ 347,403	\$ 347,403	\$ -	\$ -	45%	\$ -	ADJUSTED PROPORTIONAL ANNUAL USE	\$ -
TOTAL ADMINISTRATIVE AND GENERAL			#REF!	#REF!	#REF!	\$ 11,771,919		#REF!		#REF!
PROPERTY TAXES										
PROPERTY TAXES	5.08 B 3	SCH 8.2	\$ 452,000	\$ -	\$ -	\$ 456,305	45%	\$ 205,337	ADJUSTED PROPORTIONAL ANNUAL USE	\$ 139,732
CAPITAL COST RECOVERY										
PRE-2009 ASSETS	5.09 B 1	ATT K-4								\$ 3,118,033
DEBT SERVICE ON NEW ASSETS	5.09 B 2	SCH 5								#REF!
REVENUE FUNDED ASSETS-APPROPRIATIONS TO WHOLESALE CAPITAL FUND	5.09 B 3	SCH 6								#REF!
TOTAL CAPITAL COST RECOVERY										#REF!
WHOLESALE SHARE OF HETCH HETCHY WATER & POWER										
										#REF! (TO SCHEDULE 1)
WHOLESALE REVENUE COVERAGE <sup>1</sup>										
										#REF!

<sup>1</sup>Adjusted Proportional Annual Use (68.39% X 99.50% = 68.05%)

<sup>2</sup>25% of Wholesale Share of Debt Service

***STAFF REPORT***

**Agenda: August 11, 2009**

**Subject: Approval of San Francisco Water Supply Agreements**

**Attachment C**

---

## ATTACHMENT C

CCWD Individual Water Sales Contract

## **WATER SALES CONTRACT**

This Contract, dated as of \_\_\_\_\_, 2009, is entered into by and between the City and County of San Francisco ("San Francisco") and the Coastside County Water District ("Customer").

### **RECITALS**

San Francisco and Customer have entered into a Water Supply Agreement ("WSA"), which sets forth the terms and conditions under which San Francisco will continue to furnish water for domestic and other municipal purposes to Customer and to other Wholesale Customers. The WSA contemplates that San Francisco and each individual Wholesale Customer will enter into an individual contract describing the location or locations at which water will be delivered to each customer by the San Francisco Public Utilities Commission ("SFPUC"), the customer's service area within which water so delivered is to be sold, and other provisions unique to the individual purchaser. This Water Sales Contract is the individual contract contemplated by the WSA.

### **AGREEMENTS OF THE PARTIES**

1. **Incorporation of the WSA**

The terms and conditions of the WSA are incorporated into this Contract as if set forth in full herein.

2. **Term**

Unless explicitly provided to the contrary in Article 9 of the WSA, the term of this Contract shall be identical to that provided in Section 2.01 of the WSA.

3. **Service Area**

Water delivered by San Francisco to the Customer may be used or sold within

the service area shown on the map designated Exhibit A attached hereto. Except as provided in Section 3.03 of the WSA, Customer shall not deliver or sell any water provided by San Francisco outside of this area without the prior written consent of the General Manager of the SFPUC. Customer may continue to supply water to the Skylawn Memorial Gardens, the properties of which are located in part within and in part outside of Customer's service area as shown on Exhibit A attached hereto.

4. Location and Description of Service Connections

Sale and delivery of water to Customer will be made through a connection or connections to the SFPUC Regional Water System at the location or locations listed and with the applicable present account number, description, connection size, and meter size shown on Exhibit B attached hereto.

5. Interties With Other Systems.

Customer maintains interties with neighboring water systems at the location or locations and with the connection size(s) as shown on Exhibit C attached hereto.

6. Billing and Payment

San Francisco shall compute the amounts of water delivered and bill Customer therefor on a monthly basis. The bill shall show the separate components of the charge (e.g., service, consumption, demand). Customer shall pay the amount due within thirty (30) days after receipt of the bill.

If Customer disputes the accuracy of any portion of the water bill it shall (a) notify the General Manager of the SFPUC in writing of the specific nature of the dispute and (b) pay the undisputed portion of the bill within thirty (30) days after receipt. Customer shall meet with the General Manager of the SFPUC or a delegate to discuss the disputed portion of the bill.

7. Source of Supply.

a. The SFPUC can presently supply water to Customer via Stone Dam Tunnel and Upper Crystal Springs Reservoir. The source water for Stone Dam Tunnel is Pilarcitos Creek. Pilarcitos Creek flow at this location consists of natural runoff in the upper Pilarcitos watershed and releases of previously stored water impounded upstream at Pilarcitos Reservoir. Source water for Upper Crystal Springs Reservoir is a blend derived from (1) runoff in the Crystal Springs (San Mateo Creek) watershed; (2) imported water from the Pilarcitos System; and (3) previously treated imported water from the regional water system that includes Hetch Hetchy and East Bay sources.

b. The facilities in the Pilarcitos System include Pilarcitos Reservoir and Dam, and Stone Dam Reservoir and Tunnel. The SFPUC operates the Pilarcitos System to maximize water supplies to Customer and to the regional water system while maintaining any required in-stream flows and reservoir conditions required for the SFPUC's operational permits. Releases are made from Pilarcitos Reservoir into Pilarcitos Creek to maintain the requested Customer delivery rate at Stone Dam Tunnel and to make any other required releases.

c. The SFPUC agrees that its operational objective is to first make deliveries to Customer from the Pilarcitos System and only when water from the Pilarcitos System is unavailable, to have Customer supplement deliveries using its pump station and pipeline from Upper Crystal Springs Reservoir. Availability of water for Customer from the Pilarcitos System is variable and depends on hydrology, capital improvements and maintenance activities to the Pilarcitos System that may temporarily impact the flow of water to and from Pilarcitos Reservoir, and other beneficial uses of water associated with the Pilarcitos System, including maintaining a minimum storage pool at Pilarcitos Reservoir and any instream flow requirements that may be developed for Pilarcitos Creek. Inter-basin transfers of Pilarcitos Creek water by the SFPUC will not affect the

availability of water to Customer from the Pilarcitos System. When there is not enough water stored at Pilarcitos Reservoir to meet Customer's demand, Customer receives supplies via the Customer-owned and operated pump station at Crystal Springs Reservoir. All capital, operating, and other costs of the Crystal Springs Pipeline and appurtenant facilities shall continue to be borne by Customer.

d. SFPUC agrees to maintain the Pilarcitos System in good working order to maintain the priority of deliveries to Customer from this source and to maintain the operational objectives set forth above. SFPUC will provide Customer with an estimate each year on April 1 regarding the availability of water from the Pilarcitos System for the succeeding 12-month period. SFPUC and Customer agree to discuss in the future ways that SFPUC can manage the Pilarcitos System to maximize deliveries of water to Customer from the Pilarcitos System, while addressing the environmental concerns in the Pilarcitos Watershed. SFPUC shall meet and confer with Customer before taking any action which has the effect of permanently reducing the amount of water available to Customer from the Pilarcitos System. In response to future Pilarcitos Creek instream flow requirements below Regional Water System facilities that may permanently reduce the amount of water available to Customer from the Pilarcitos System, it is the intent of the SFPUC, subject to compliance with the contract, to consider pumping costs for the incremental increase in water supplied from Upper Crystal Springs Reservoir to be costs to the regional system.

8. Supply of Untreated Water; Rate Study.

a. The SFPUC does not treat or guarantee the quality of water available from either Pilarcitos Reservoir or Upper Crystal Springs Reservoir. Customer must provide treatment necessary for compliance with drinking water standards and consumer acceptance. The SFPUC shall, however, use reasonable efforts to provide the highest quality of raw water from those sources as the circumstances permit.

b. Within 6 months of receiving a request from Customer the SFPUC will initiate a one-time rate study to evaluate the possible creation of a wholesale untreated water rate classification for supplies delivered to Customer. Following the conclusion of the study, the SFPUC will consider the results in making its next round of annual rate recommendations to the Commission regarding wholesale service rates and rate structures, with adoption subject to the discretion of the SFPUC in accordance with section 6.04 of the WSA. SFPUC staff will provide a recommendation to create or not create a wholesale untreated water rate classification for supplies delivered to Customer after evaluating the rate study, and present that recommendation to the Commission. If adopted by the SFPUC, the new wholesale untreated water rate would have prospective application to Customer only, and would commence no earlier than Fiscal Year 2011-12.

9. Storage Facilities. Customer will maintain within or close to its boundaries terminal storage or local storage facilities of sufficient capacity to regulate effectively the quantity of water available to its own customers and to assist in ensuring the continuity of supply against interruptions in the delivery of water supplied by the SFPUC.

10. Capacity of Crystal Springs Pipeline. Pursuant to San Mateo County Local Coastal Program ("LCP") Policy 2.35c, Customer agreed that the size of the Crystal Springs Pipeline would not exceed the closest nominal size required to carry peak daily water demand at the maximum approved level of development in the coastal area ("buildout"). Customer also agreed, in Conditions 3 and 13 of San Mateo County Coastal Development Plan ("CDP") 87-13, to limit the size of its water treatment plant expansion and the maximum pumping capacity to that needed to meet Phase I growth levels in the San Mateo County and Half Moon Bay Local Coastal Plans. Customer has sized its pumps at Crystal Springs Reservoir to provide no more than the estimated

maximum daily demand under Phase I development. Customer may not add additional pump capacity, perform maintenance work on, or make any adjustment to pumps at the Crystal Springs Pump Station which addition, maintenance or adjustment would have the effect of increasing maximum pump capacity beyond that of the pumps installed initially, or that needed for Phase I demands as they are presently projected, without the prior express written consent of the SFPUC.

11. Conditions for Increasing Pump Capacity Beyond Phase I Development Level.

a. Prior to requesting the approval of the SFPUC for a commitment to deliver water in excess of estimated Phase I development demands identified in Section 11, above, Customer shall submit to the SFPUC the results of the studies conducted pursuant to this Section.

b. The studies will address the degree to which, consistent with the production of reliable water supplies, environmental concerns, economic reasonableness, and social and public policies, some or all of the water demand associated with development allowed by subsequent phases of the Half Moon Bay and San Mateo County Local Coastal Plans (as well as the demand of existing customers who currently receive untreated water) can be met by (a) water conservation, (b) use of reclaimed wastewater, and (c) local groundwater, rather than by additional deliveries from sources operated by the SFPUC. The studies will include (1) opportunities for use of reclaimed wastewater within the Customer's service areas, as shown on Exhibit A to the Contract, except for the area served by the Montara Water and Sanitary District, and (2) locally available groundwater resources within the Customer's service area and on lands immediately adjacent thereto, as such service area is shown on Exhibit A to the Contract, except for the area served by the Montara Water and Sanitary District.

c. The studies will be conducted by qualified engineering and/or environmental firm(s) engaged by Customer, at Customer's sole expense, with the approval of the

SFPUC General Manager or his designee, in accordance with this section. Customer shall submit to the General Manager of the SFPUC the names and qualifications of the consultants which it proposes to engage to conduct each of the foregoing studies. If the SFPUC General Manager does not object in writing within three months, Customer may engage that firm or firms. If the SFPUC General Manager does object, it shall within three months submit to Customer a statement of its reasons, together with a list of at least three other engineers and/or engineering or environmental firms it considers qualified to perform the work and which it will accept.

d. Customer will engage the engineer(s) and/or engineering or environmental firm(s) approved by the General Manager of the SFPUC. Customer will direct, in its contract with such engineer(s) or engineering or environmental firm(s), that the SFPUC will be consulted during the course of the studies. Customer will hold a noticed public hearing within its service area at the conclusion of each of the three studies, prior to submission of the results of those studies to the SFPUC.

e. Customer will submit the results of all studies to the SFPUC at least one year in advance of requesting such a commitment for water deliveries. The SFPUC will consider the Customer's request within nine months of receiving a request for additional water deliveries, subject to completion of all review required under the California Environmental Quality Act.

f. Before delivering water obtained from SFPUC to the area now served by Montara Water and Sanitary District ("Montara") on a permanent basis, pursuant to an annexation of that area to the Customer, the Customer will submit information on water conservation, use of reclaimed wastewater, and local groundwater, within the area served by Montara. This information may be included in documents prepared by third parties under the California Environmental Quality Act in connection with any proposed annexation of the area now served by Montara to the Customer. If the SFPUC is not satisfied with the information on these topics contained in such environmental

documents, it may require that Customer conduct studies of these three topics within the area served by Montara pursuant to the provisions of this Water Sales Contract.

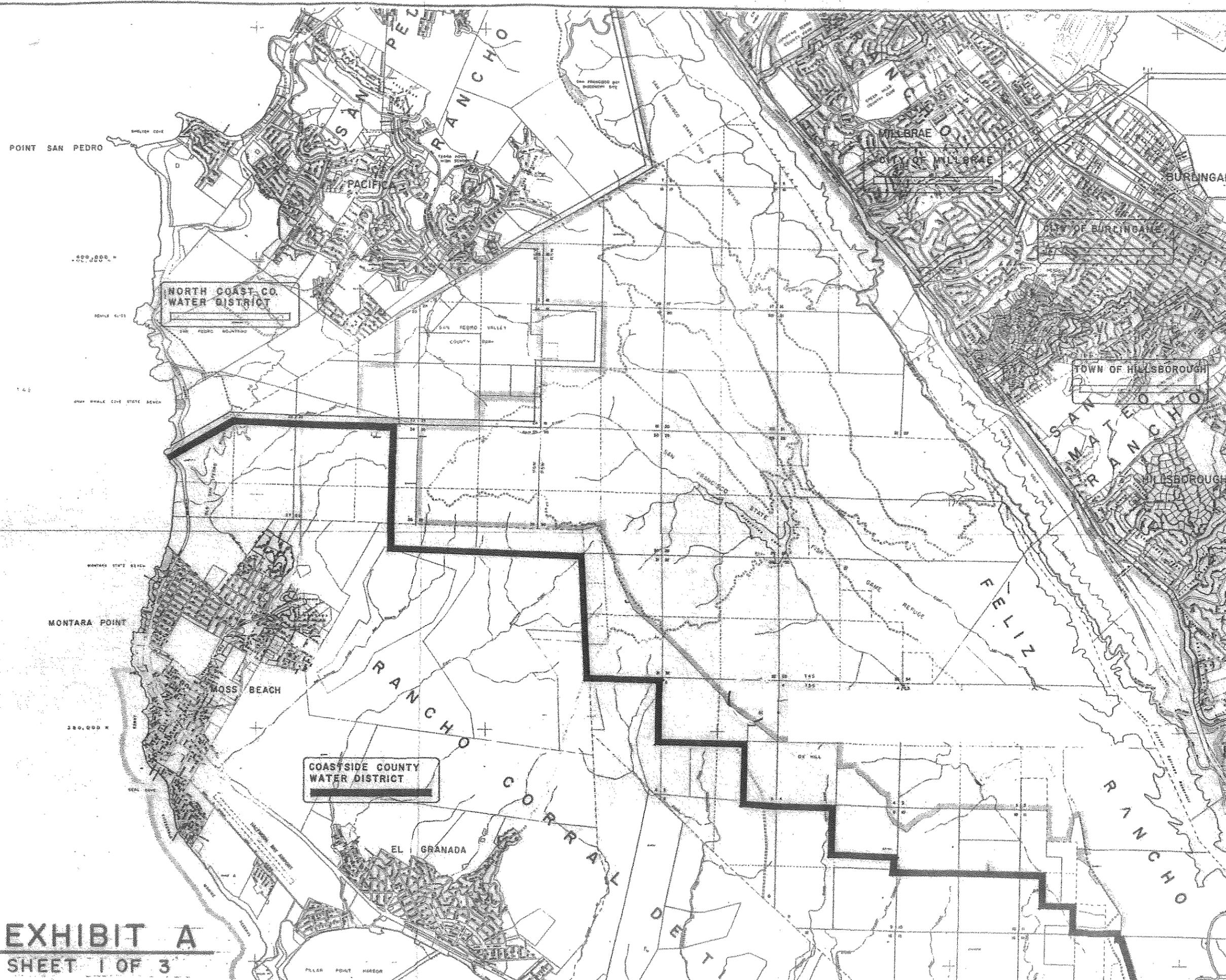
This subparagraph is not intended to require any approvals from San Francisco for delivery of water from Customer to the area now served by Montara, so long as such deliveries do not entail any enlargement or expansion of the pumping capacity at Crystal Springs Reservoir beyond that contemplated in section 10 of this Water Sales Contract.

IN WITNESS WHEREOF, the parties hereto have executed this Contract, to become effective upon the effectiveness of the WSA, by their duly authorized representatives.

<p>CITY AND COUNTY OF SAN FRANCISCO Acting by and through its Public Utilities Commission</p> <p>BY _____ Edward Harrington General Manager</p>	<p>Date: _____, 2009</p>
<p>COASTSIDE COUNTY WATER DISTRICT</p> <p>BY _____ Name: Title:</p>	<p>Date: _____, 2009</p>

Exhibit A

Service Area Map



**LEGEND**

**LABEL**

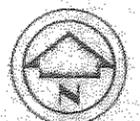
WATER DISTRICT

SERVICE AREA BOUNDARY - COLOR

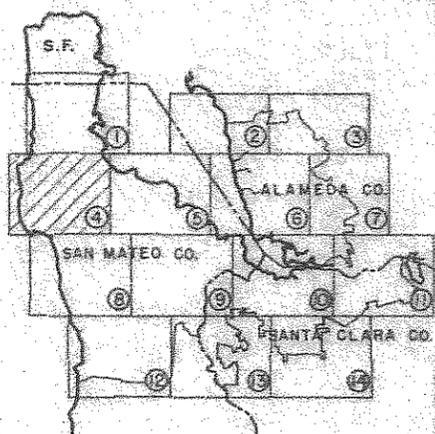
**BOUNDARY INDICATION**

CONTINUOUS LINE

PRESENT SERVICE AREA



SCALE: 1" = 4000'



**INDEX MAP**

DATE	BY	REVISIONS
10/17/74	J.H. Charles	

CAUTION: CHECK WITH TRACINGS TO SEE IF YOU HAVE LATEST REVISIONS

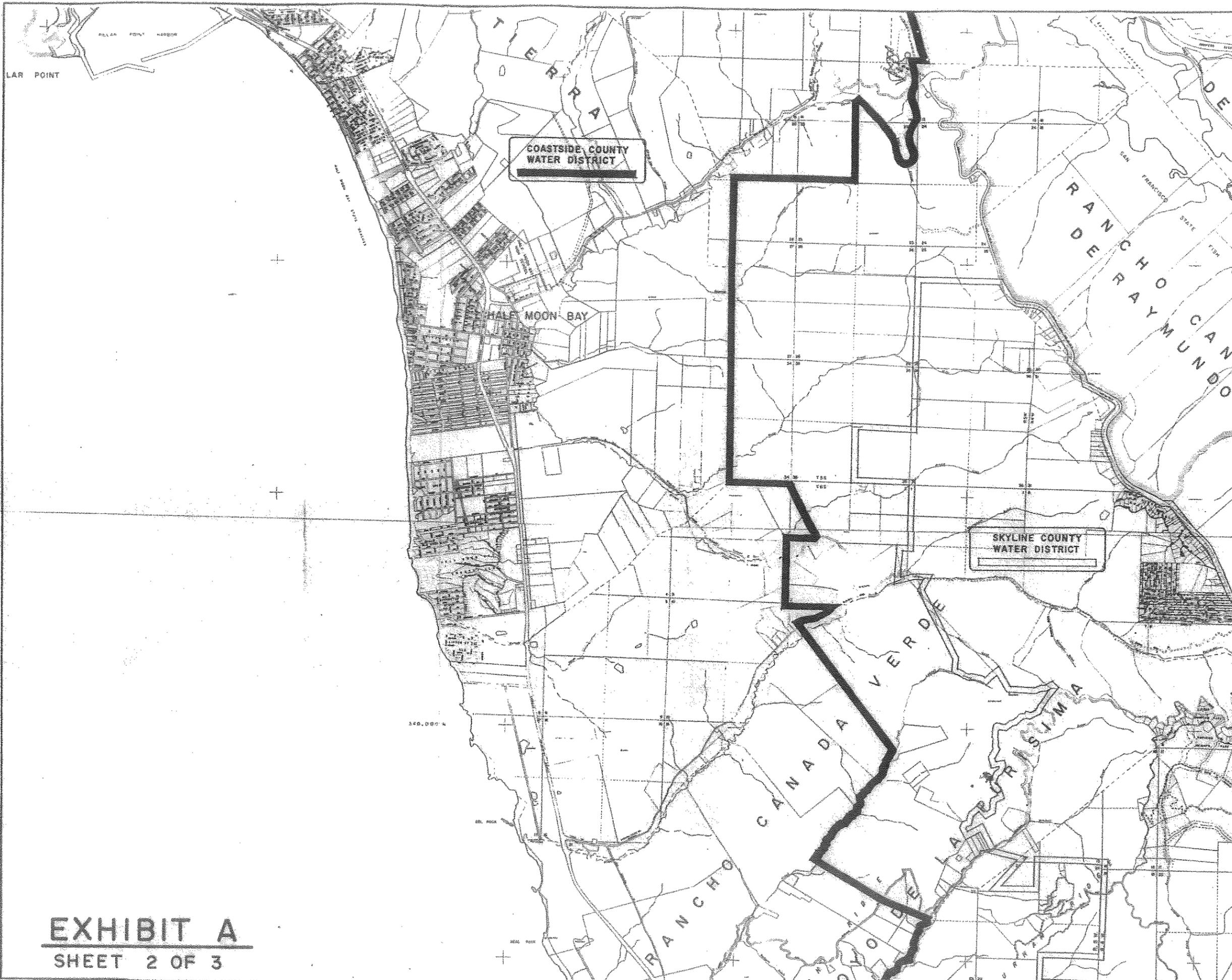
CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC UTILITIES COMMISSION  
SAN FRANCISCO WATER DEPARTMENT

**RESALE SERVICE AREAS**

DATE	BY	REVISIONS	E.J.
12/11/74	192 Sand AT		

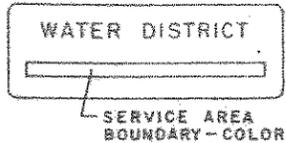
1-2000  
E-4997

**EXHIBIT A**  
SHEET 1 OF 3

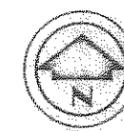


**LEGEND**

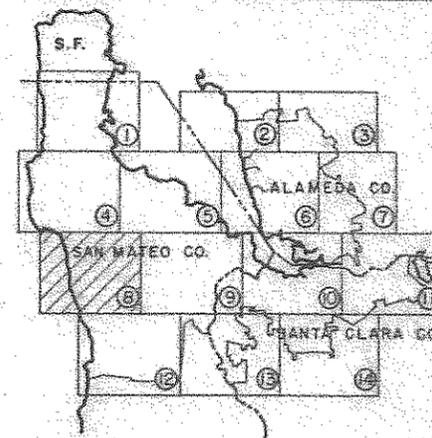
**LABEL**



**BOUNDARY INDICATION**



SCALE : 1" = 4000'



**INDEX MAP**

DATE	BY	REVISION
1/25/68	J. H. Canale	1

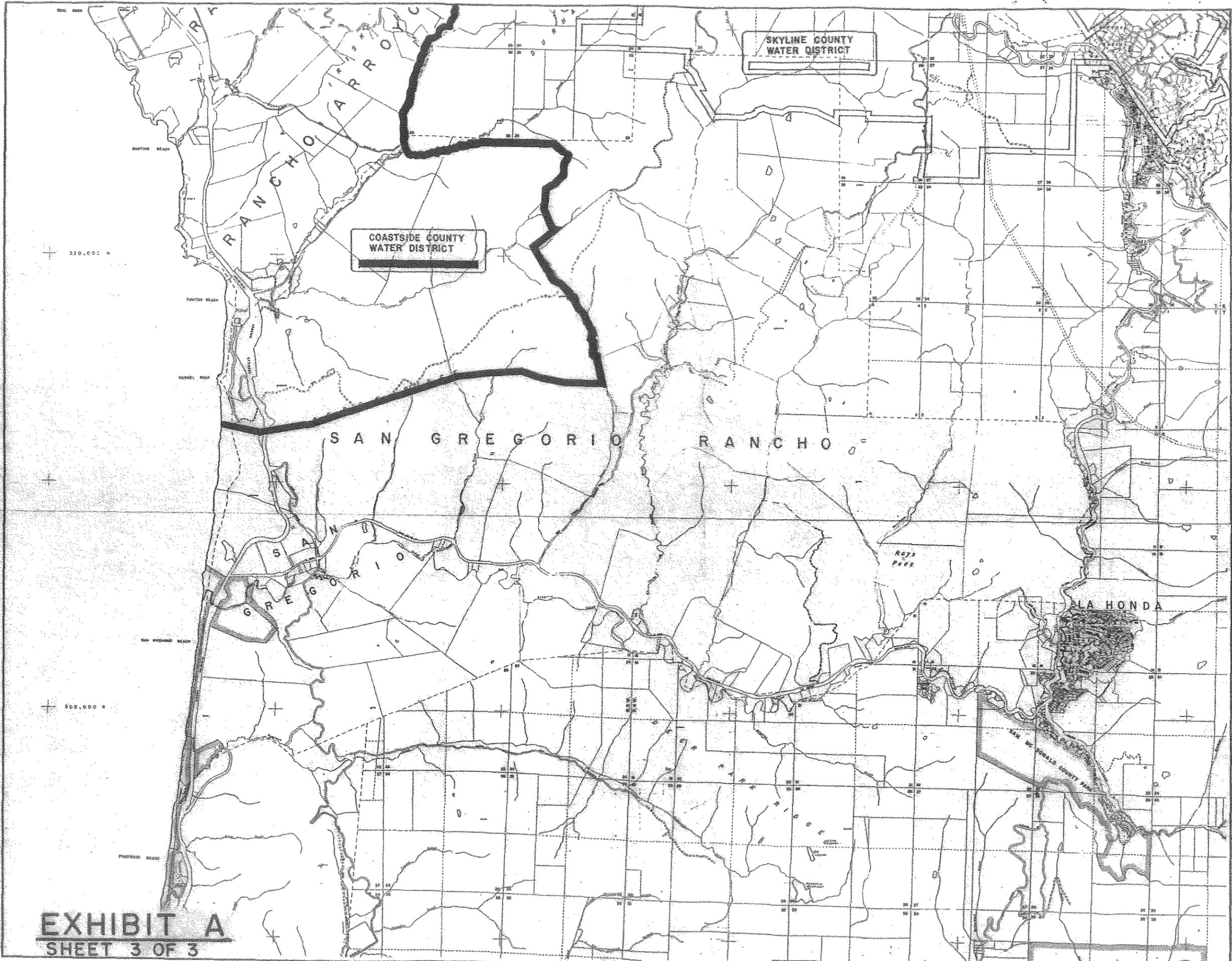
CITY AND COUNTY OF SAN FRANCISCO  
PUBLIC UTILITIES COMMISSION  
SAN FRANCISCO WATER DEPARTMENT

**RESALE SERVICE AREAS**

DATE	BY	REVISION
1/25/68	J. H. Canale	1
1/25/68	J. H. Canale	2

**EXHIBIT A**  
SHEET 2 OF 3

E-5001



**LEGEND**

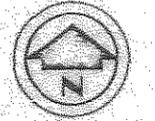
**LABEL**

WATER DISTRICT

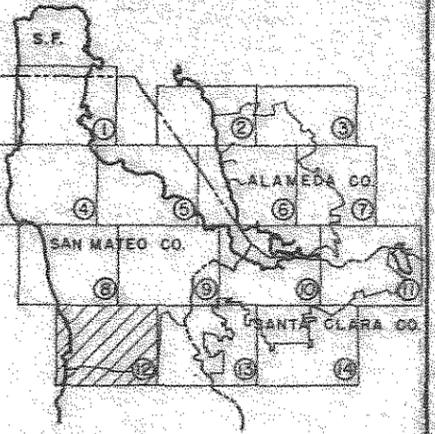
SERVICE AREA BOUNDARY - COLOR

**BOUNDARY INDICATION**

CONTINUOUS LINE  
PRESENT SERVICE AREA



SCALE: 1" = 4000'



**INDEX MAP**

REVISIONS CAUTION: CHECK WITH TRACINGS TO SEE IF YOU HAVE LATEST REVISION CITY AND COUNTY OF SAN FRANCISCO PUBLIC UTILITIES COMMISSION SAN FRANCISCO WATER DEPARTMENT	
D. M. P. [Signature] E. J. [Signature]	1925 and 1/2 E-5005

**RESALE SERVICE AREAS**

**EXHIBIT A**  
SHEET 3 OF 3

## Exhibit B

### Location and Description of Service Connections to the SFPUC Regional Water System

<b>Account</b>	<b>Meter Connection</b>	<b>Service Address</b>	<b>Service Street</b>	<b>Service Street Suffix</b>	<b>Service City</b>	<b>ServiceSize</b>	<b>Meter Size</b>
010027019	1	1	STONE DAM	WY	San Mateo Co.	10	10
010027019	1	1	CAHILLRIDGE	WY	San Mateo Co.	18	10

# Exhibit C

## Emergency Connections with Other Water Systems

Location	Connection With	Size
None		

**STAFF REPORT**

**Agenda: August 11, 2009**

**Subject: Approval of San Francisco Water Supply Agreements**

**Attachment D**

---

ATTACHMENT D

Resolution No. 2009 - \_\_\_\_ Approving Water Supply Agreement  
With The City And County of San Francisco

**COASTSIDE COUNTY WATER DISTRICT**

**RESOLUTION NO. 2009-\_\_**

**APPROVING WATER SUPPLY AGREEMENT  
WITH THE CITY AND COUNTY OF SAN FRANCISCO**

WHEREAS, the Coastside County Water District (District) has purchased water from the City and County of San Francisco (San Francisco) for many years; and

WHEREAS, the "Settlement Agreement and Master Water Sales Contract" between the District and San Francisco, which was entered into in 1984, will expire on June 30, 2009; and

WHEREAS, the District is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which was formed in 2002 pursuant to Water Code Section 81300 *et seq.* to represent the interests of the communities in Alameda, San Mateo and Santa Clara counties that purchase water from San Francisco; and

WHEREAS, on August 16, 2006, this Board, by Resolution No. 2006-17 appointed BAWSCA to represent it in negotiations for a new water supply agreement with San Francisco; and

WHEREAS, each of the other 26 entities which are members of BAWSCA similarly delegated negotiating authority to BAWSCA; and

WHEREAS, BAWSCA has submitted periodic reports to District on progress during the negotiations and has provided detailed briefings on all significant elements of the Agreement; and

WHEREAS, a Water Supply Agreement, in the form negotiated by BAWSCA, was presented to and approved by the San Francisco Public Utilities Commission on April 28, 2009; and

WHEREAS, the Water Supply Agreement incorporates provisions which accomplish the majority of the goals which the District sought to achieve in a new long-term contractual relationship with San Francisco; and

WHEREAS, the District General Manager has so recommended.

NOW, THEREFORE, BE IT RESOLVED:

1. The "Water Supply Agreement Between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County" dated July 2009 (Agreement) is approved.

2. The President of the Board is authorized and directed to sign the Agreement, in the form previously approved by the San Francisco Public Utilities Commission, on behalf of the District.

PASSED AND ADOPTED this 11th day of August, 2009, by the following vote.

AYES:

NOES:

ABSENT:

---

Chris R. Mickelsen, President  
Board of Directors

ATTEST:

---

David R. Dickson, Secretary of the Board

**STAFF REPORT**

**Agenda: August 11, 2009**

**Subject: Approval of San Francisco Water Supply Agreements**

**Attachment E**

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ATTACHMENT E

Resolution No. 2009 - \_\_\_\_\_ Approving Individual Water Sales Contract  
With The City And County Of San Francisco

**COASTSIDE COUNTY WATER DISTRICT**

**RESOLUTION NO. 2009-\_\_**

**APPROVING INDIVIDUAL WATER SALES CONTRACT  
WITH THE CITY AND COUNTY OF SAN FRANCISCO**

WHEREAS, the Board of Directors has previously approved the Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (Agreement); and

WHEREAS, the Agreement contemplates that each wholesale customer will also enter into an individual Water Sales Contract (Contract) with the San Francisco Public Utilities Commission (SFPUC), which will describe the specific service area of each wholesale customer, will identify points of connection between the San Francisco Regional Water System and the wholesale customer's distribution system, and will contain other specialized provisions, if any, required by the unique circumstances of each wholesale customer; and

WHEREAS, negotiations between the District and the staff of the SFPUC concerning the Water Sales Contract for the District have been completed satisfactorily, and the General Manager has recommended that the Board of Directors approve a Water Sales Contract in the form presented.

NOW, THEREFORE, BE IT RESOLVED that the "Water Sales Contract" between the District and the City and County of San Francisco, acting by and through its Public Utilities Commission, in the form presented to the Board of Directors including Attachments A through C (Contract), is approved and the President of the Board is authorized to execute the Contract on behalf of the District.

PASSED AND ADOPTED this 11th day of August, 2009, by the following vote.

AYES:

NOES:

ABSENT:

---

Chris R. Mickelsen, President

ATTEST:

---

David R. Dickson, Secretary of the Board

**STAFF REPORT**

**Agenda: August 11, 2009**

**Subject: Approval of San Francisco Water Supply Agreements**

**Attachment F**

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ATTACHMENT F

Resolution No. 2009 - \_\_\_\_\_ Adopting Findings For Purposes Of The California  
Environmental Quality Act In Connection With Approval Of A Water Supply  
Agreement With The City And County Of San Francisco

COASTSIDE COUNTY WATER DISTRICT

RESOLUTION NO. 2009-\_\_

ADOPTING FINDINGS FOR PURPOSES OF  
THE CALIFORNIA ENVIRONMENTAL QUALITY ACT  
IN CONNECTION WITH APPROVAL OF A WATER SUPPLY AGREEMENT  
WITH THE CITY AND COUNTY OF SAN FRANCISCO

WHEREAS, the Coastside County Water District (District) purchases water from the City and County of San Francisco (San Francisco) pursuant to a Settlement Agreement and Master Water Sale Contract entered into in 1984, which will expire on June 30, 2009; and

WHEREAS, the San Francisco Public Utilities Commission (SFPUC or Commission) operates the Regional Water System which delivers water to communities in Alameda, San Mateo and Santa Clara Counties, as well as to customers within San Francisco; and

WHEREAS, engineering reports prepared by and for the SFPUC staff identified serious deficiencies in the Regional Water System which exposed its Bay Area customers to the threat of an extended interruption in water delivery in the event of a major earthquake; and

WHEREAS, acting in response to directions from the State Legislature (California Water Code Section 73500 *et seq.*), in 2002 the SFPUC adopted a Water System Improvement Program (WSIP) to address these deficiencies, ensure the Regional Water System's ability to deliver water meeting Safe Drinking Water Act standards, and otherwise improve the Regional Water System's capabilities of meeting customer needs; and

WHEREAS, the San Francisco Planning Department prepared a Program Environmental Impact Report (PEIR) to evaluate the potential environmental impacts of implementing the WSIP and the Bay Area Water Supply and Conservation Agency

(BAWSCA), of which the District is a member, reviewed and commented on the draft PEIR; and

WHEREAS, the San Francisco Public Utilities Commission certified the Final PEIR on October 30, 2008 in its Motion No. 17743, which motion is on file with the District; and

WHEREAS, on October 30, 2008, the SFPUC reviewed and considered the PEIR prepared for the WSIP, adopted findings required by the California Environmental Quality Act (CEQA), including a mitigation monitoring and reporting program and a statement of overriding considerations, and approved the WSIP in its Resolution No. 08-0200, which resolution is on file with the District; and

WHEREAS, on October 30, 2008, the SFPUC also endorsed selected Water Supply Elements for the new Water Supply Agreement, which are consistent with the WSIP evaluated in the Final PEIR, in its Resolution No. 08-0201, which resolution is on file with the District; and

WHEREAS, the SFPUC, on April 28, 2009, approved a Water Supply Agreement with its wholesale customers, including the District, and recommended that they likewise approve it; and

WHEREAS, prior to acting on the Water Supply Agreement and the accompanying individual Water Sales Contract, the Board of Directors desires to make certain findings pursuant to 14 California Code of Regulations Section 15096.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors finds as follows:

1. District has reviewed the information contained in the Final PEIR that is relevant to its approval of the Water Supply Agreement and has reviewed the CEQA findings contained in SFPUC Resolution No. 08-0200, including the Statement of Overriding Considerations and the Mitigation Monitoring and Reporting Program, which are adopted to the extent they are relevant to the District's decision to approve the Water Supply Agreement.

2. The SFPUC has already adopted the mitigation measures recommended in the PEIR, has authority to implement the mitigation measures or to seek any required approvals for the mitigation measures, and District has no direct authority to implement the mitigation measures, which may be funded in part with revenues from the Water Supply Agreement.

3. District has reviewed and considered the Final PEIR and finds that the Final PEIR is adequate for its use as the decision-making body for its consideration of the Water Supply Agreement and Individual Water Sales Contract.

4. Approval of the Water Supply Agreement and Individual Water Sales Contract is within the scope of the WSIP and activities evaluated in the Final PEIR.

5. Since the Final PEIR was finalized, there have been no substantial project changes and no substantial changes in project circumstances that would require major revisions to the Final PEIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the Final PEIR.

6. District has not identified any feasible alternative or additional feasible mitigation measures within its powers that would substantially lessen or avoid any significant effect the WSIP would have on the environment; and

BE IT FURTHER RESOLVED that the District's General Manager prepare and file a Notice of Determination with the County Clerk promptly upon the Board's approving the Water Supply Agreement and an Individual Water Sales Contract with San Francisco.

PASSED AND ADOPTED this 11th day of August, 2009, by the following vote.

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Chris R. Mickelsen, President  
Board of Directors

ATTEST:

\_\_\_\_\_  
David R. Dickson, Secretary to the Board

## **STAFF REPORT**

**To:** Coastside County Water District Board of Directors

**From:** David Dickson, General Manager

**Agenda:** August 11, 2009

Report

Date: July 29, 2009

**Subject:** California Special Districts Association (CSDA) - 2009 Board Elections - Region 3, Seat A

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### **Recommendation:**

Discuss Coastside County Water District's possible vote for a candidate to serve as one of the representatives to the California Special Districts Association (CSDA) Board of Directors in Region 3, Seat A.

### **Background:**

As a member of the California Special Districts Association, the Coastside County Water District's Board of Directors has the opportunity to participate in the Board Elections process by casting a vote for one of the candidates seeking to represent Region 3.

Attached is the CSDA mail ballot information, including the candidate statements for each of the three candidates for the available Board of Directors position for Region 3. Upon the Board's selection of a candidate, staff will complete the ballot and return to CSDA.

### **Fiscal Impact:**

None

RECEIVED

JUL 29 2009

COASTSIDE COUNTY  
WATER DISTRICT



## CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

### 2009 BOARD ELECTIONS

#### MAIL BALLOT INFORMATION

Dear Member:

A mail ballot has been enclosed for your district's use in voting to elect a representative to the CSDA Board of Directors in Region 3, Seat A. Each of CSDA's six (6) regional divisions has three seats on the Board. Each of the candidates is either a board member or management-level employee of a member district located in your geographic region. Each Regular Member (district) in good standing shall be entitled to vote for one (1) director to represent its region.

We have enclosed the candidate statements for each candidate who submitted one. Please vote for **only one** candidate to represent your region in Seat A and be sure to sign, date and fill in your member district information (*in some regions, there may only be one candidate*). If any part of the ballot is not complete, the ballot will not be valid and will not be counted.

Please utilize the enclosed return envelope to return the completed ballot. Ballots must be received at the CSDA office at 1112 I Street, Suite 200, Sacramento, CA 95814 by **5:00pm on Wednesday, September 16, 2009**.

If you do not use the enclosed envelope, please mail in your ballot to:

**California Special Districts Association**

**Attn: 2009 Board Elections**

**1112 I Street, Suite 200**

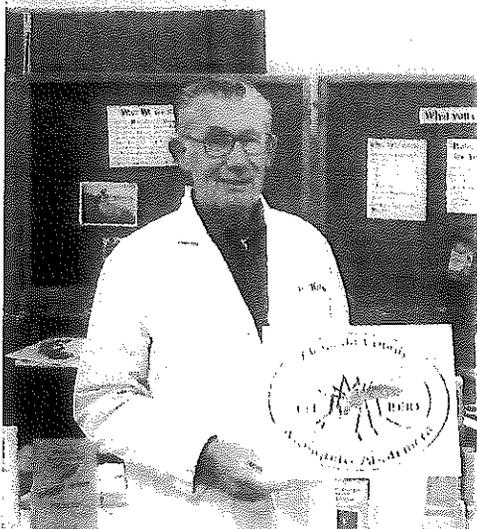
**Sacramento, CA 95814**

Please contact Diana Zavala toll-free at 877.924.CSDA or [dianaz@csda.net](mailto:dianaz@csda.net) with any questions.

Dr. James B. Kohnen  
7303 Ione Court Dublin, CA 94568  
925 828-3623 [Jim483@aol.com](mailto:Jim483@aol.com)

**Region 3 Representative  
CSDA Board of Directors**

## **Mosquito Abatement**



Jim is a political activist in Alameda County who has the political background, academic credentials, and experience to serve as Region 3 representative of the CSDA Board of Directors. His broad background in government, community affairs, and management described here support his earnest desire to serve on the CSDA Board.

Jim is married to Pat, who serves as a Trustee of the Dublin Unified School District, has two sons, William and Mark, and two grand daughters.

He earned a BA in Biology from Ripon College in Wisconsin, a BA in Management, a Master of Science in Procurement and Contract Management, and a Master of Arts in Educational Leadership from St. Mary's College of California in Moraga; and a Masters in Human Resources and Organization Development and Doctorate in Education from the University of San Francisco.

Jim retired from the US Army as a Colonel, after serving 30 years as a reserve officer. He is a graduate of the US Army Command and General Staff College, US Air Force War College and US Army War College.

He also retired from industry where he was a Quality Manager with Quaker Oats, Interstate Brands, McCormick, Globe Products, Foremost, and FMC. He completed his full time active career as a High School Science Teacher serving for eight years. He holds a California Teaching and Administrative Credential.

His current public service consists of serving on the Boards of the Alameda County Mosquito Abatement District (Present) and serving on the Supervisory Committee of Technology Credit Union (Elected). He served as a Director of the Dublin San Ramon Services District (DSRSD) for eight years and Zone 7, Alameda County Water Conservation and Flood Control District, (Elected) for four. He is active in a variety of Dublin, Alameda County, and State organizations. For example, he and Pat were part of the Dublin Sister City Delegation to Jinhua, China. He is an active member of the Alameda County Special Districts Association for at least fifteen years as an elected Special District and is on the Board of the State Special Districts Association. He also serves as Treasurer of the League of Women Voters, Livermore Amador Valley organization and Vice President of the Dublin Historical Preservation Association. He is on the Board of the Senior Support Center serving the Tri-Valley. He is a member of the Valley Spokesmen Bicycle Touring Club and rides at least 100 miles a week.

Jim served on the American Society for Quality (ASQ) Board of Directors for six years representing Region 6 and is a Board member of the Golden Gate ASQ section.

He remains interested in Boy Scouts having serving as a District Commissioner in the San Francisco Bay Area Council, completing various training courses including Wood badge, and being honored with the Silver Beaver Award for Distinguished Service to Youth.

**He has completed the CSDA Special District Leadership Academy program with MVCAC credit for his Special District Governance Certificate.**

June 29, 2009

Attention: CSDA  
Diana Zavala  
1112 I Street, Suite 200  
Sacramento, Ca 95814

Dear Diana Zavala and members of the CSDA Board:

Please consider this my letter of interest for the CSDA, 2010 Board Vacancy Region 3, Seat C, Board of Directors.

I am well qualified for this position, having served as an elected official on the Moss Landing Harbor District Board of Harbor Commissioners since 2003, running unopposed as an incumbent in the last general election. I currently am serving as Chair of the Moss Landing Harbor District Live-aboard Committee and Chair of the Moss Landing Harbor Finance Committee. I was appointed for a second term to the Monterey County Overall Economic Development Commission by the County Board of Supervisors and serves as Vice Chair of its Grants and Finance Committee. By this appointment, I believe the Monterey County Board of Supervisors has demonstrated confidence in my fiscal abilities, experience and insight. I also currently serve on the Special District Association of Monterey County as Secretary/Treasurer. Additionally, I serve as the board Secretary for the Moss Landing Harbor District.

I am retired from the retail food industry where I gained in-depth experience in business economics. I am also an active member of the community, serving on many committees and boards including the Central Coast Federal Credit Union Board of Directors, Vice Chair of the Salinas, California Ichiki-Kushikino Sister City Organization (of which I was named member of the year in 2005), Trustee of Salinas, California Sons of Italy in America Lodge and Chair of the City of Monterey's annual Festa Italia Festival Parade, Salinas Valley Chamber of Commerce, I serve on the Chamber's Government Review Committees, On-Site School Council for Everett Alvarez High School and have just recently retired from coaching high school basketball. I also am involved in the Big Brother-Big Sister organization as a big brother.

I have also completed the CSDA Special District Governance Academy in Governance Foundations, Setting Direction/Community Leadership, Board's Role in Finance and Fiscal Accountability and Board's Role in Human Resources.

I am very experienced in budgeting, project management, report preparation, public speaking, legislative issues and participate in the SDA of Monterey County. I believe my dedication to special districts makes me an excellent choice to represent local government agencies interests at CSDA.

Sincerely,

Vincent C. Ferrante  
Commissioner Moss Landing Harbor District

## **Kathryn Slater-Carter for CSDA Board Region 3**

Please vote for me the CSDA Board. Clearly you recognize the importance of a statewide organization for special districts as you are a member of CSDA. If elected I commit to take a very active role in continuing to build the membership and reach of the organization in order to promote the effectiveness of special districts in meeting the needs of communities across the state.

CSDA offers special districts an opportunity to build networks around common areas of interest and concern. As a result we become more effective in delivering our services to our local districts.

CSDA offers districts the opportunity to build bridges to our state legislators. I think the ability of special districts to share a common voice in Sacramento will become even more important in the future as California struggles for solutions to our budget deficit.

I am beginning my fourth term on the Montara Water and Sanitary District. During that time I have watched the importance of our statewide and regional special district organizations grow. This is my second year as president of the San Mateo County Special District Association. I have represented my district there for eight years. I am currently on the CSDA Membership Committee.

At the CSDA events I have met many special districts representatives from all over the state. I have not been surprised to learn that districts have many similar concerns, regardless of their specific function. These are the issues that CSDA is uniquely positioned to address from our knowledgeable staff to the classes and workshops we offer to the readily available on-line support. I will listen and act to improve the accessibility of CSDA to each member organization.

Thank you for your continuing membership in CSDA.

Please vote for me, Kathryn Slater-Carter.



**CSDA BOARD OF DIRECTORS  
ELECTION 2009**  
ALL FIELDS MUST BE COMPLETED FOR BALLOT TO BE COUNTED.  
*(Please vote for only one.)*

**REGION THREE**



*Seat A - term  
ends 2012*

- Dr. James Kohnen\***  
*Alameda County Mosquito Abatement District*
- Vincent Ferrante**  
*Moss Landing Harbor District*
- Kathryn Slater-Carter**  
*Montara Water and Sanitary District*

*\* incumbent*

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Member District: \_\_\_\_\_

**Must be received by 5pm, September 16, 2009 CSDA, 1112 I Street, Suite 200, Sacramento, CA 95814**

## ***STAFF REPORT***

**To:** Coastside County Water District Board of Directors

**From:** David Dickson, General Manager

**Agenda:** August 11, 2009

Report

Date: August 7, 2009

**Subject:** Water Reclamation Update

---

### **Recommendation:**

None. Discussion only.

### **Background:**

On August 5, we received the attached letter from Bruce Russell of Kenmark Real Estate Group to CCWD and Sewer Authority Mid-Coastside (SAM). The letter conceptually outlines an approach to water reclamation based on SAM's role as the producer of recycled water and CCWD's role as the provider of recycled water to customers within our service area. This approach is consistent with the District's policy, as established by Resolution No. 2008-10, that the District will exercise its statutory right to be the provider of recycled water within our boundaries.

Staff believes the concepts presented in the Kenmark letter provide a good foundation for further progress toward a coastside water reclamation project.



**KENMARK**  
Real Estate Group, Inc.

RECEIVED  
AUG 05 2009  
COASTSIDE COUNTY  
WATER DISTRICT

August 5, 2009

David R. Dickson  
Coastside County Water District  
766 Main Street  
Half Moon Bay, CA 94109

John F. Foley, III  
Sewer Authority Mid-Coastside  
1000 N. Cabrillo Highway  
Half Moon Bay, CA 94109

Re: Recycled Water for Ocean Colony

Dear Messrs. Dickson and Foley:

I want to thank both of you for meeting with us over the past several weeks to explain further your agencies' respective goals and objectives regarding Ocean Colony Partners' (OCP) proposal to obtain recycled water. As a follow-up to our meetings, and after review of public comments from your respective Boards, OCP would like to suggest a new proposal for your consideration.

OCP is no longer requesting that CCWD and SAM enter into a delegation agreement. We now understand CCWD is opposed to delegation under any circumstances, and SAM may not be able to legally distribute recycled water without such delegation. Therefore, instead of delegation, we propose the parties enter into one or more agreements pursuant to which CCWD and SAM would collectively assist with the planning and development of the recycled project, and each would fulfill its respective role as retail water supplier and recycled water producer.

The key terms that OCP would like to propose are as follows:

1. Phase I Project – CCWD, SAM and OCP would cooperate in providing up to a maximum of 800,000 gpd of recycled water to OCP for irrigation of the golf courses and related areas with an annual estimate of 134,000,000 gallons (412 acre feet) during OCP's irrigation season of March – November (Phase I Project). OCP would not be provided or obligated to purchase recycled water during the non-irrigation months.

2. SAM Plant - SAM would be responsible for applying for grant funds, government loans or other financing, and designing, permitting, bidding, and awarding contracts for construction and installation of all of the tertiary recycled water plant equipment needed for the Phase I Project, other than the approximately 500 feet of new pipeline and appurtenant pipeline improvements for which CCWD would be responsible, as discussed below. In the event SAM's grant funds included the costs of the new pipeline, SAM would finance that project as well.

2450 South Cabrillo Highway, Suite 250  
Half Moon Bay, California 94019

phone 650.560.0055  
fax 650.560.9198



San Francisco • Los Angeles

# KENMARK

David R. Dickson

John F. Foley, III

Page 2

3. New Pipeline Extension - CCWD would be responsible for financing, designing, permitting, bidding and causing installation of the additional approximately 500 feet of pipeline, together with ancillary valves, pumps and related equipment needed to connect the northern terminus of the existing OCP pipeline to SAM's tertiary recycled water storage tank or holding basin facilities. CCWD would also be responsible for operating and maintaining such pipeline and ancillary equipment. CCWD and OCP would cooperate in designing the new pipeline to function consistently with OCP's well production and piping systems.

4. SAM Treatment - SAM would be responsible for production and treatment of the recycled tertiary water and would retain primary responsibility for ensuring, though testing and monitoring, that the recycled water meets applicable regulatory and golf course requirements.

5. OCP Pipeline - The parties would use OCP's existing pipeline to deliver recycled water to OCP and OCP would retain sole ownership of this pipeline and ongoing maintenance responsibility. In connection with the Phase I Project, OCP intends to seek permits for certain pipeline repairs and improvements, and approvals for dredging, lining and repairing its golf course irrigation and storm water retention ponds to help accommodate the Phase I Project.

6. SAM/CCWD Contract - SAM would enter into a long-term contract for the production and sale of Phase I recycled water to CCWD at reasonable rates. The rates charged by SAM to CCWD would reflect the actual direct costs of production and treatment, and would be designed to recover (i) the capital costs actually incurred by SAM (excluding grant funds) in connection with construction and installation of the Phase I Project improvements, amortized over the life of the contract at a reasonable rate of interest equivalent to SAM's borrowing costs, and (ii) the direct operating costs incurred by SAM in producing and treating the recycled water. In order to meet the parties' mutual goals of reducing demand for potable water and encouraging and promoting use of recycled water, SAM would not charge CCWD for general authority-wide overhead costs of SAM or for other costs or expenses not directly related to recycled water.

7. CCWD/OCP Contract - CCWD would similarly enter into a long-term contract with OCP for the delivery and sale of Phase I recycled water to OCP at reasonable rates. The term of the CCWD/OCP contract would be co-terminus with the term of the SAM/CCWD contract. The rates charged by CCWD to OCP would reflect the actual direct costs of distribution and would be designed to recover (i) the full amount of the rate charged by SAM to CCWD (without markup) under the SAM/CCWD contract, plus (ii) the capital costs actually incurred by CCWD (excluding grant funds) in connection with construction and installation of the 500 foot pipeline and ancillary pipeline improvements amortized over the life of the contract at a reasonable rate of interest equivalent to CCWD's borrowing costs, plus (iii) the direct operating costs incurred by CCWD in delivering the recycled water to OCP. In order to meet the parties' mutual goals of reducing demand for potable water and encouraging and promoting use of recycled water, CCWD would not charge OCP for general district-wide overhead costs of CCWD or for other costs or expenses not directly related to recycled water.

8. OCP Pipeline Sharing - OCP would provide CCWD with an option to use the excess capacity, if any, within OCP's existing pipeline for purposes of conveying recycled water to other users within CCWD's service area. The rates charged by OCP to CCWD for use of such excess capacity would be

# KENMARK

David R. Dickson  
John F. Foley, III  
Page 3

reasonable, and would be limited to a proportionate share of OCP's actual direct costs of operating, maintaining and repairing the existing pipeline.

9. Potable Water Off-Set - The OCP/CCWD contract would impose a potable water offset on OCP in exchange for delivery of recycled water, subject to certain conditions, consistent with Water Code section 13551, to ensure that OCP does not lose its existing priority potable water rights and connections. Such a requirement would be necessary to comply with the law and to guard against any negative impact to OCP that might result from interruptions in delivery of recycled water.

10. Subsequent Phases - Following completion of the Phase I Project, SAM and CCWD would commit to use diligent good faith efforts to explore further opportunities to expand SAM's recycled water facilities with the goal of further reducing customer demands for potable water within CCWD and SAM's service area. However, SAM and CCWD would not charge OCP for the costs of any future expansion projects that SAM and/or CCWD may pursue for purposes of expanding production and delivery of recycled water to other users, including any future distribution lines connected to OCP's pipeline.

11. Use Restriction - To the extent the delivery of recycled water to OCP frees up potable water, CCWD would support use restrictions clarifying that such potable water not be used to justify the issuance of new water permits, other than those water permits, including for Crystal Springs Phase I, that CCWD has already authorized and committed to issue.

I hope that the foregoing terms will be acceptable to SAM and CCWD.

As I mentioned during our meetings, OCP would be agreeable to memorializing formally these and other terms in either a letter of intent or memorandum of understanding which would hopefully lead to approval of the comprehensive contracts described above.

I look forward to having further discussions with each of you after you have had a chance to review this proposal with your Boards. In the meantime if you have any questions or need any additional information please give me a call.

Very truly yours,



Bruce J. Russell, CEO

Kenmark Real Estate Group, Inc.

cc: Patrick T. Miyaki, Hanson Bridgett  
Gerald J. Ramiza, McDonough Holland & Allen  
Mark E. Kendall, Kenmark

## ***STAFF REPORT***

**To:** Coastside County Water District Board of Directors

**From:** David Dickson, General Manager

**Agenda:** August 11, 2009

Report

Date: August 7, 2009

**Subject:** Connection Sale Survey

---

### **Recommendation:**

Authorize staff to proceed with a survey of customer interest in purchasing non-priority connections.

### **Background:**

At the June 9, 2009 meeting, the Board directed staff to develop a District-wide survey to determine customer interest in purchasing non-priority connections which the District intends to offer for sale later this year. In keeping with the approach and the schedule presented to the Board in June, staff has prepared the attached survey form.

With the Board's approval, staff will advertise and distribute the survey as follows:

- Direct mailing to owners of record of parcels within CCWD (approximately 9000 Assessor's Parcel Numbers).
- Advertising in the Half Moon Bay Review
- Notice on the District's website with a link to the online survey tool
- Banner ad on MCTV

Respondents will have until October 1 to return the survey to the District's offices or complete the survey online. Staff will present the results of the survey at the October 13 Board meeting.

### **Fiscal Impact:**

Cost of \$6,000 to \$8,000 to print, mail, and advertise the survey.

COASTSIDE COUNTY WATER DISTRICT

SURVEY FOR SALE AND PURCHASE OF NON-PRIORITY WATER SERVICE CONNECTIONS

Coastside County Water District (District) intends to offer a limited number of non-priority water service connections for sale beginning in December 2009. In order to assist the District's staff and Board of Directors in developing a fair and equitable approach to allocating the connections, we are conducting a survey to determine the interest in purchasing the available non-priority water service connections. If you are interested in purchasing a water service connection in accordance with the general concepts described below, please complete the survey by filling out this form and returning it to the District's offices at the address below by October 1, 2009 or by going online to www.coastsidewater.org.

This is not an offer of sale, and the District reserves the right not to proceed with the proposed connection sale or to change the general concepts applicable to the purchase program.

General concepts for the sale and purchase of connections will include, but not be limited to, the following:

- Each connection purchased must be assigned to a property, by its Assessor's Parcel Number, within the District's boundaries.
- The purchaser must demonstrate that the property is already developed or is potentially developable, and that the water requirements for the property to which the connection will be assigned are commensurate with the number of connections proposed to be purchased.
- Connections purchased under this program will not be transferable to another property.
- The price for a 5/8" (20 gpm) connection will be approximately \$15,000. This amount is subject to further analysis before a final price is established.
- In addition to the connection purchase price, there will be an administrative fee to cover the District's costs of administering the sale and purchase program.
- The connection(s) must be paid for in full at the time of purchase.
- Service connections which are not installed within 36 months of the purchase date will revert to the District, with a refund to purchaser of the purchase price less the administrative fee
- Purchaser may return connection(s) to the District for a refund of the purchase price less the administrative fee.

**Survey Questions**

1. Yes/No I am interested in purchasing a connection under the general concepts described above.
2. \_\_\_\_\_ Number of connections I am interested in purchasing.
3. Current Development Status of Property:  
 \_\_\_\_\_ Undeveloped    \_\_\_\_\_ Existing Residence    \_\_\_\_\_ Existing Business
4. Yes/No Is the property currently served by a well? \_\_\_\_\_ Date installed?
5. \_\_\_\_\_ Assessor's Parcel Number where connection will be installed
6. \_\_\_\_\_  
 Property Address of Connection

**Survey must be completed and returned by October 1, 2009 to be considered.** The District will mail notices and information regarding the schedule and details of the sale and purchase of the non-priority water service connections directly to all persons who fully complete the survey. The District encourages all people who will consider purchasing a connection to respond to this survey as the District will review all results in determining how to proceed with the sale of available connections.

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Preferred Contact Information: \_\_\_\_\_

Please return survey to CCWD, 766 Main Street, Half Moon Bay, CA 94019

## ***STAFF REPORT***

**To:** Coastside County Water District Board of Directors

**From:** David Dickson, General Manager

**Agenda:** August 11, 2009

Report

Date: August 7, 2009

**Subject:** General Manager's Report

---

### **Recommendation:**

Information only.

### **Background:**

I would like to highlight the following:

1. **Nunes Water Treatment Plant Short-Term Improvements Project:** Bids for the Nunes Short-Term Improvements project, which represents the largest project in the District's Capital Improvement Plan for the current year, will be opened on September 1. The estimated construction cost for this project is \$1.6 million. Staff anticipates seeking approval to award the contract at the October 13 Board meeting.
2. **Midcoast Local Coastal Plan Update:** As I discussed in last month's report, I have been tracking San Mateo County Midcoast Local Coastal Plan update process. Following up on my July 7 comment letter to the Board of Supervisors, I met on July 15 with Ruby Pap, North Central Coast Supervisor for the California Coastal Commission to express the District's concerns with the possible effects of the proposed LCP amendments on the District's ability to ensure an adequate, safe, and reliable water supply for our customers. Coastal Commission consideration of the County's LCP update has now been postponed from the August 12 meeting in San Francisco. If County and Coastal Commission staff can reach agreement on the LCP, it could come before the Commission at their next meeting in San Francisco on December 10-12. We therefore will have the opportunity for further discussion and input on the LCP update.

## Monthly Report

**To:** David Dickson, General Manager  
**From:** Cathleen Brennan, Water Resources Analyst  
**Agenda:** August 11, 2009

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**Subject:** Water Resources Report

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This report is provided as an update on water conservation, outreach, and water resources activities.

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### Watershed Foundation

The District provided materials for the Watershed Foundation ([www.watershedfoundation.net](http://www.watershedfoundation.net)). This foundation teaches elementary school children about local watersheds and the connection between the land and ocean.

### Sudden Oak Death

The District was approached by researchers from U.C. Berkeley to request permission to set traps on the Pilarcitos Creek property to study the organism, known as *Phytophthora ramorum*, which is responsible for Sudden Oak Death. The researchers are looking at how far the pathogen can travel and how long it can survive. The District has agreed to accommodate their request and will be working with Catherine Eyre, a post doctorate researcher with U.C. Berkeley.

### Water Saver Home Website

The California Urban Water Council has released the newly updated Water Saver Home website ([H2ouse.org](http://H2ouse.org))! A link is provided to this site on Coastside County Water District's website on the conservation page.



The Smart from the Start urban landscape templates and guidelines are available from the interactive virtual home website. Funded by a grant from the USBR, the downloadable low cost, low maintenance and scenic designs are available for seven California Climate regions: the **Bay Area**, Central Valley, Sierra Foothills, Southern Coastal, Inland and Foothills, and High Desert regions of California. A basic Checklist is provided to help homeowners install water efficient landscaping that is beautiful while using less water. Take a tour by visiting the site at [www.h2ouse.org](http://www.h2ouse.org).

□ **Graywater**

Attached to this staff report is a press release from the California Department of Housing and Community Development. This press release announces the adoption of new Graywater standards. The new standards attempt to encourage the use of Graywater by removing the regulatory burdens imposed by the original standards.

□ **Summary of Meetings**

California Urban Water Conservation Council - Water Audit Workshop - 7/16/2009

Employee Meeting - 7/21/2009

CPR/First Aid Training - 7/21/2009

Catherine Eyre - UC Berkeley - Tour of Pilarcitos Property - 7/22/2009

BAWSCA - Water Resources Committee - 7/29/2009

BAWSCA - Water Resources Committee - 7/30/2009

Catherine Eyre - UC Berkeley -Pilarcitos Property - 7/31/2009

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
COMMUNICATIONS**

1800 Third Street, Room 450  
Sacramento, CA 95811  
[www.hcd.ca.gov](http://www.hcd.ca.gov)  
(916) 445-4775  
Fax (916) 324-5107

**FOR IMMEDIATE RELEASE****Date: July 30, 2009**

**Contact:** Jennifer Sweeney  
Director of Communications  
(916) 445-4775  
[jsweeney@hcd.ca.gov](mailto:jsweeney@hcd.ca.gov)

## **The California Department of Housing and Community Development Commends the Adoption of New Graywater Standards**

**Sacramento** – Today, after months of development by the Department of Housing and Community Development's (HCD) Codes and Standards Division, the California Building Standards Commission (CBSC) announced the adoption of the state's new graywater standards. The new standards will become effective upon filing with the Secretary of State. The anticipated filing date is August 4, 2009.

"These new graywater standards will be a big step toward reducing California's water consumption by providing cost-effective guidelines that will be beneficial to every home throughout the state," said Director Lynn L. Jacobs. "HCD and its staff recognize the importance of continually improving the state building codes and standards to help improve our sustainability.

Graywater is the wastewater that drains out of washing machines, sinks, bathtubs and showers. It can be treated for indoor use and may be used untreated in some landscape applications.

SB 1258 required HCD, in consultation with the Department of Public Health, to develop standards for the construction, installation and alteration of graywater systems for indoor and outdoor uses. HCD collaborated with stakeholder groups and other state agencies to develop the graywater standards. Staff reviewed existing standards, best practices, guidelines and other published materials to develop new standards for graywater systems. The new standards include provisions that will:

- Provide a definition for on-site "treated graywater" and direction to a quality standard
- Encourage the use of new and expanding technology by providing more flexibility through fewer mandatory requirements
- Encourage the installation of inexpensive systems without the cost of design and permits

- Set appropriate standards for different types of systems based on complexity
- Encourage the use of graywater systems because local government approval will be easier to obtain
- Remove some regulatory burdens, making systems more practical

According to the Plumbing Code, a three-bedroom home generates 160 gallons of graywater per day or 58,400 gallons per year. With the new standards, a family of four could potentially divert nearly 22,000 gallons of water per year by using graywater from the laundry system alone. The new standards may encourage the use of graywater, therefore reducing the state's overall water consumption and increase public awareness about water-conservation. After 2011, the code will be updated annually to ensure the latest technology is incorporated.

HCD provides leadership, policies and programs to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians. The Department also supports increasing the supply of housing, especially affordable housing and works to improve the state's housing conditions and the health and safety of its residents. As the lead housing department, HCD is part of the state Business, Transportation and Housing Agency.

# # #

# Monthly Report

**To:** David Dickson, General Manager  
**From:** Cathleen Brennan, Water Resources Analyst  
**Agenda:** August 11, 2009  
**Subject:** Water Shortage and Drought Contingency Plan

This report is provided as an update on the implementation of the Water Shortage and Drought Contingency Plan – Stage 1 (Advisory Stage). The Advisory Stage was implemented in June of 2007. In June of 2008, Governor Schwarzenegger declared a state - wide drought. On February 27, 2009, Governor Schwarzenegger proclaimed a state of emergency due to drought conditions and the resulting water shortage.

## √ Local Precipitation

- Water year 2007 was critically dry at 67% of annual historic average.
- Water year 2008 was slightly better at 72% of the annual historic average.
- Water Year 2009 is about 76% of annual historic average.

Precipitation for Half Moon Bay														
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Totals	
<b>Historic Average</b>	1.3	3.4	3.7	5.5	4.8	3.9	1.6	0.6	0.2	0.0	0.1	0.3	25.4	
	2008						2009							
<b>Water Year 2009</b>	0.48	2.39	2.63	0.93	8.70	2.79	.27	0.99	0.12	0.11			19.41	
	2007						2008							
<b>Water Year 2008</b>	1.83	0.93	3.16	8.75	2.73	.31	.16	.07	.04	0.1	.12	.05	18.25	
	2006						2007							
<b>Water Year 2007</b>	.19	3.18	4.24	.72	5.31	0.81	1.62	.41	.07	.25	.03	.19	17.02	

## √ Planning

Staff will continue to work on the following items:

- Drought Ordinance
- Springbrook Software Modifications for Billing
- Rates, Excess Use Charges, and Surcharges
- Billing Statements

## **MONTHLY REPORT**

**To:** David Dickson, General Manager  
**From:** Joe Guistino, Superintendent of Operations  
**Agenda:** August 11, 2009

**Report**  
**Date:** August 4, 2009

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### **Monthly Highlights**

#### Hazen's Tank

Leakage from this tank may accelerate its replacement on the Capital Improvement Program schedule.

#### NPDES Notice of Violation

The District was fined for 8 discharge violations into Denniston Creek between the years 2006 and 2008.

### **Source of Supply**

Crystal Springs Reservoir was the main source of supply for the month of July. We switched from Pilarcitos Lake on 2 July. Denniston WTP ran for 4 days in July.

### **Systems Improvement**

#### Beautification

- Convenient sample cell holders fabricated by Matt Damrosch for the Operator's Labs at each water treatment plant (WTP).
- Continue to clean up brush at Nunes WTP.

#### Radio Base Stations

The radio base station at District Center was upgraded in July. A new base station was installed at Nunes WTP. Base stations will also be installed at Crystal Springs Pump Station (PS) as well as Denniston WTP.

#### Other Improvements

The service lines for three buildings on the 400 block of Main Street were relocated from an old 2" galvanized main running between Main and Johnson Streets. This will improve the reliability of these services since the 2" water line is at the end of its useful life.

## **Update on Other Activities:**

### Denniston WTP

Denniston WTP was started up on Monday, 13 July and ran until mid day on Thursday 17 July. The plant was shutdown due to high turbidities from low water levels.

### Meter Replacement Program

Crews replaced 29 meters in July. 12 were Sensus meters older than 20 years, 16 were Rockwell meters and 1 was an old Hersey meter.

### Cell Tower

Staff has met with Team Mobile and discussed placement of a cell tower at the El Granada #1 Tank and PS site. Their proposal should be received in August.

### City of Half Moon Bay (HMB) Sidewalk Project

Crews assisted in this project by clearly marking our service lines and responding to field conditions as needed. Five service lines were relocated in 3 buildings per the above note under System Improvements.

### Temporary Worker

Temporary Maintenance Worker Dustin Jahns reported to work on Wednesday, 15 July. He will be utilized for the District's improvement projects as well as assisting on the development of the unidirectional flushing program.

### Hazen's Tank

The District's only redwood tank is starting to leak from the bottom. District Engineer James Teter inspected the site and recommended close observations and inspection. We would be very reluctant to drain this tank for inspection since redwood tanks are notorious for causing water quality concerns. Staff is considering the fiscal impacts of moving this project up from its present schedule of FY 13.

### Brown Water Events

We received 5 brown water complaints on Friday, 31 July, from the Amesport Landing area. The fire district was testing a nearby hydrant earlier that day. Follow up phone calls showed that the water lines had cleared by mid afternoon.

There were 2 brown water complaints associated with hydrant activity in El Granada in the evening of 15 July. The water had cleared up in this area by the next morning.

### Highway 92 Easement

The temporary easement for the 2" plastic line running to the Spanishtown area through the City owned property has long since expired. I am working with the City of HMB to reinstitute this easement so that they can grant a proper right-of-way to Caltrans.

### NPDES Notice of Violation

On 3 July, California Regional Water Quality Control Board issued to us a notice of discharge violations with an accompanying fine for \$24,000 from the Denniston WTP covering the years 2006-2008. The Treatment Supervisor has since upgraded and tightened the Standard Operating Procedures (SOPs) and all other activities concerning discharges from this plant.

### **Safety/Training/Inspections/Meetings**

#### Meetings Attended

- 2 July - Met with Franco to discuss plans for a Laundromat at Shoreline Station.
- 8 July - Met with Staff and Dave Lea at Denniston to discuss dredging strategies.
- 8 July - Cintas Safety Meeting
- 14 July - Board of Director's meeting
- 16 July - California/Nevada Section American Water Works Association (AWWA) Governing Board conference call.
- 16 July - Bay Area Water Supply and Conservation Association (BAWSCA) quarterly water quality meeting.
- 20 July - Conference call between Treatment Supervisor, me and Department of Public Health (DPH) to discuss Contact Time (CT) credits for the modified Denniston Storage Tank.
- 29 July - Finance Committee meeting.
- 31 July - District tour with General Manager and District Council.

#### Safety Training

Monthly safety training by Cintas took place on Wednesday, 8 July. This month's topic was Confined Spaces and Hazardous Communication. Five field crew members were in attendance.

First Aid/Cardio Pulmonary Resuscitation (CPR) was made available to District Employees on Tuesday, 21 July. Four field crew and 6 office staff were in attendance.

#### Grade 1 Treatment Certification

Maintenance Worker Logan Duffy achieved his Grade 1 Water Treatment Operator license in July.

### **Department of Public Health (DPH)**

#### Denniston Tank CT Credits

In our phone conference with DPH on 20 July, we confirmed that we could establish CT credit in Denniston Tank at 15 feet. Staff is presently clarifying the CT worksheets and modifying the SOPs at the Denniston Plant. All operators will be trained in August.

## **Projects**

### Tank Recoating Projects

The Board approved a Notice to Proceed for the Miramar Tank Coating Project to Crosno Construction for \$230,000. Staff is finalizing contracts with the contractor. We anticipate getting started on this tank near the end of August.

### Short Term Improvement Project

Bid documents have been published and distributed to interested contractors. Bid opening will be at 14:00 1 September.

### Denniston Rehabilitation

On Wednesday, 8 July, Steve Twitchell, John Davis and I met with Dave Lea to discuss the impacts of dredging on his farming operation. Since we plan on draining the reservoir, strategies for his irrigation supply would be to modify his intake to take from the still watered parts of the reservoir or altering his irrigation cycles and sources.

We also toured the spoils site and determined that we should have the main site, as well as the old, original site surveyed and marked. The survey will take place in August.

### Denniston Alternative Intake Project

The consultant has submitted a predesign report which is presently under review by Staff.

### Pilarcitos Canyon Culvert Repair Project

San Mateo County Planning completed the California Environmental Quality Act (CEQA) documents for this project and it is presently out for public comment. The hearing will be on Thursday, 20 August.

We expect to receive our Streambed Alteration Agreement (SAA) from the Department of Fish and Games (F&G) in August.

I have received the final technical bid documents for this project and will have them prepared and sent to prospective bidders in August.

### Pilarcitos Canyon Blending Project

Staff has reviewed the final report in July and have directed the consultant to move forward on bid documents.

### Denniston Alternative Treatment Project

Staff has reviewed these documents and has some comments and concerns as to cost issues. We will be meeting with the consultant in August.

Supervisory Control and Data Acquisition (SCADA)

The Staff reviewed the SCADA pre bid documents and had some concerns as to its completeness. The consultant sent in additional documentation which is presently under review by staff.