

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
November 18, 2004 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:10 p.m.

Bern Beecham, Vice-Chair, called the meeting to order and led the flag salute. Secretary Art Jensen called the roll. Nineteen (19) members were present, constituting a quorum. A list of directors present (19) and absent (9) is attached.

- 2. Comments by the Chair:** Mr. Beecham listed the agency's five top priorities; to ensure that the system is rebuilt on time and on budget, focus on the new programmatic EIR being done by SFPUC, administrating the current contract and negotiating a new one on the member agencies' behalf, protecting the member agencies' interests in the debate over whether to restore Hetch Hetchy Valley, and working to ensure communities are prepared for long term water outages. Mr. Beecham announced that General Manager, Arthur Jensen participated in a legislative briefing held in Sacramento on November 10 regarding the proposal to restore Hetch Hetchy. Mr. Beecham commented that the proposal has a serious risk for BAWSCA agencies and that the board should be prepared to refocus priorities as the issues develop. Director O'Mahony, Chair of the Board Policy Committee, reported that the committee discussed the five priorities Mr. Beecham listed, and stated that they will act as a guide for the board in the coming months. She also reported that the committee discussed and recommends board approval of the action items in the agenda, received and discussed a staff report on future water conservation, which the committee decided to review in the spring for consideration of developing a policy statement. Finally, Ms. O'Mahony reported that the committee received statements from Sprek Rosekrans, Executive Director of Environmental Defense, regarding the proposal to restore Hetch Hetchy.

- 3. General Manager's Report:** Arthur Jensen provided an update on the status of Local Health Officers' position on chloramine in the water.

SFPUC CIP Status and Workshops: Mr. Jensen reported that BAWSCA is continuing to consider the question raised by Director Kasparzak at the September 23, 2004 board meeting regarding the alternatives that may be taken if San Francisco does not make adequate progress on the CIP. San Francisco continues to work hard in providing project monitoring reports that are reliable and provide useful information to both BAWSCA and San Francisco. Reports on earned value curves have been received and critical path milestones of major projects are expected shortly. San Francisco will re-assess the CIP schedule in January and a report on that will be provided to the board at the January meeting. Mr. Jensen reported that SFPUC continues to hold CIP workshops that will influence the decisions made by the Commission.

Workshops scheduled for January 2005 will cover staff recommendations. Attendance and testimony by board members at the upcoming workshops were encouraged.

Heather Dempsey, Director of the Bay Area Water Stewards Program (BAWS) for the Tuolumne River Trust presented BAWS' objective and its recommendation to SFPUC for the CIP. BAWS is a collection of environmental interests working together to ensure that SFPUC, BAWSCA and related water districts provide a just and sustainable system that protects and restores the watersheds and wildlife habitats under their management. BAWS' recommends San Francisco improve the water system in the most environmentally-friendly way as possible, be a model of water use efficiency and recycling, and promote stewardship of natural resources. BAWS' recommends that the CIP PEIR include alternatives that have watershed and environmental improvements as well as water use efficiency and expanded recycling. It also recommends having an alternative with and without O'Shaughnessy Dam.

Restore Hetch Hetchy: Mr. Jensen announced the release of a report by Environmental Defense on the proposal to restore Hetch Hetchy Valley. The report contributes to the debate but does not address all issues. Mr. Jensen reported that Assembly Member Lois Wolk chaired a legislative briefing in Sacramento on November 10, of which proponents of Restore Hetch Hetchy, BAWSCA, San Francisco and irrigation districts participated. Assembly Member Wolk labeled the proposal a great opportunity, but finds the need to have all information out on the table. Mr. Jensen reported that Mike Chrisman, Secretary of Resources for the Governor's office issued a letter to Assembly Members Wolk and Canciamilla stating that the Department of Water Resources will conduct a study of the proposal. BAWSCA maintains its current position, and will provide input to the study. The workshops and the proposal to drain Hetch Hetchy Reservoir were not anticipated when the budget was formed and impacts on the annual work plan and budget will be assessed and reported to the board policy committee in December.

4. **SFPUC Report:** SFPUC General Manager Susan Leal and Deputy General Manager Tony Irons provided an overview of the CIP workshops which cover policy questions on water supply, reliability, quality/stewardship, and water demand. The SFPUC is working hard in reviewing the schedule and PEIR process to move critical projects forward. Mr. Irons stated that the central issue of the system is an obligation to deliver water. SFPUC would like to re-design the schedule based on the "critical need" of each system components, and address those needs in the right sequence. SFPUC would like to accelerate the schedule and begin the design process of the critical projects before the PEIR is completed since there seems to be no legal requirement to have the PEIR completed before design begins. Participation by board members at the workshops and on the issue of restore Hetch Hetchy was encouraged.
5. **Public Comments:** Jennifer Witherspoon, California Communications Director for Environmental Defense delivered a statement explaining that Environmental Defense (ED) supports BAWSCA's goal of ensuring a reliable supply of high quality water at a fair price, and the timely repair of the regional water system. ED also supports water system alternatives that will accommodate the restoration of the Hetch Hetchy Valley. ED fully understands that the final solution to the proposal must be crafted in a public forum and address the needs of all

communities. Ms. Witherspoon announced that ED's report, Paradise Regained – Solutions for Restoring Yosemite's Hetch Hetchy Valley is available.

Michelle Porazzo of Millbrae testified against chloramine in the water and reported that three recent local newspaper articles stated 1) chemicals found in drinking water are associated with an increased risk to breast cancer, 2) chloraminated water is dechloraminated to protect fish and wildlife in the Crystal Springs Reservoir, and 3) how the EPA plans to study pesticides' effects on children. Ms. Porazzo states that the EPA's own studies shows that chloramine is a cancer causing agent in animals and humans, yet they are telling the state to put chloramines in the water. Wynn Grich of Fremont testified against chloramines in the water and stated that an alternative technology and new pipes are needed to deliver water to homes. Nancy Gilbertson of Redwood City testified against chloramine in the water and stated the public's health needs to be a priority over infrastructure. Ms. Gilbertson stated that there should be a moratorium to chloraminating the water until there is a study proving chloramine is safe for human consumption.

6. Reports

- A. Update: Regional Water Demand Projections:** Sr. Water Resources Planner, Nicole Sandkulla, reported the preliminary results of the wholesale customer water demand projections study. The study will provides the service area's total water demand, not just the portion purchased from the SFPUC. The study also serves as a key technical document for the CIP PEIR. A companion technical document will present the wholesale water conservation potential and wholesale water reclamation potential. The study's key results show a 19% increase in service area population, a 27% increase in service area employment, and a 19% increase in total water demand. Total water demand projections (not SFPUC purchases) by county show an increase of 25% in Alameda County, 11% in San Mateo County, and 23% in Santa Clara County. BAWSCA agencies are currently evaluating water conservation, recycling and other alternatives. This information permits each agency to estimate how much water they may need to purchase from the SFPUC by the year 2030. BAWSCA will continue to work with SFPUC in defining the objectives for the PEIR. BAWSCA is examining the potential to increase conservation , or make conservation measures more cost-effective through centralized administration and contracting. Updates of current efforts and studies will be provided in the Spring of 2005.
- B. SFPUC CIP: Review of the Regional Capital Projects:** Bill Faisst of Brown and Caldwell provided an overview of the SFPUC's Regional CIP projects. The current escalated cost of \$3.1 billion has yet to be adopted. As of September, the thirty-nine regional projects are scheduled for completion by 2013. The SFPUC estimates that 2% of the work has been completed for 1.5% of the estimated cost. The projects are grouped into five functional categories: seismic related improvements, operations and reliability enhancements, water quality, watershed and environmental, and storage and safety improvements. The top 4 projects take 60% of the total budget include the New San Joaquin Pipeline, South Bay Pipeline Capacity Upgrade, Calaveras Dam Replacement, and Second Irvington Tunnel. Mr. Faisst explained that Brown and Caldwell looks at the overall CIP and focuses on the most valuable regional projects that take the most dollars. 3 of the top 4 projects and 2 mid-ranged projects were reported on based on their cost and

improvement significance. The South Bay Pipeline Upgrade, Calaveras Dam Replacement, Second Irvington Tunnel, Upgrade at Hayward Fault Crossings and Crystal Springs Pumping Upgrade are all multi-purpose projects that provide significant value to water customers by improving seismic and supply reliability. Their estimated completion are between 2012 and 2013, and their design, planning and necessary assessments are all underway.

Mr. Faisst reviewed SFPUC's accomplishments in coordinating with local communities, designing smaller key projects, completing alternative analyses for several large projects, getting geotechnical work underway or completed, and implementing project monitoring software. Pending issues include the delayed report on reliability provided by projects, increased cost estimates, staffing needs, and a review of the revised CIP schedule to be completed in January.

Mr. Irons added that due to increasing prices of construction materials, project costs will be reassessed periodically and reported to the public and BAWSCA. Other elements that might affect the CIP budget are whether SFPUC will be competing with other major infrastructure projects in California and whether that will affect contract associated costs. Additionally, SFPUC's efforts during construction of major projects will be focused on continuous delivery of water with minimal disruptions.

- C. Water Supply Outlook for this year:** Ms. Sandkulla gave an informational report on the water supply outlook for the current water year of October 1, 2004 through September 30, 2005. She reported that water precipitation during the last few years has been at or below average, and that the precipitation to date is not indicative of whether this year will be wet or dry. The Water Shortage Agreement between BAWSCA agencies and San Francisco defines what happens during water short years. In accordance to the water shortage agreement, San Francisco must provide wholesale customers a water supply assessment by February 1, 2005. Additionally, AB 1823 requires San Francisco to provide a report to the State by February 1 regarding its progress on securing supplemental supplies. San Francisco's assessment will trigger a series of meetings that will determine whether there is a drought. If so, the drought must be declared by May 1 and San Francisco needs to know how much water will be made available to the system and how much will be allocated between the wholesale customers and San Francisco.. Progress on the water supply assessment will be provided at the January board meeting.
- D. Potential for Wholesale Water Rate Adjustments for FY 04-05 and FY 06-07:** Mr. Jensen reported that SFPUC's current rate projections anticipates a 33% rate decrease in the coming fiscal year. The decrease results from a combination of things: higher than expected water sales, lower bond interest rates, postponed capital improvement projects, and an arbitration settlement in which money owed to the wholesale customers amounted to an estimated \$3.7M credit to BAWSCA agencies. Historically, a significant rate reduction to reduce a large credit amount is followed by a significant rate increase the following year to restore revenue needed to pay for ongoing expenses. This seesaw impact has been problematic for some, but not all wholesale agencies. One of two alternatives is to accept the rate decrease from San Francisco and allow agencies to adjust their retail rates according to their practices. A second alternative is to leave the

wholesale rates unchanged, allowing funds to remain with San Francisco to offset future rate increases. The second alternative would require an agreement with San Francisco to amend the Master Contract. No action is required at this time. It was clarified that under the Master Contract, any modifications to the contract would require actions by all BAWSCA agencies and not the BAWSCA board of directors.

7. Consent Calendar:

M/S/C (Cooper/Risch; unanimous) that the Minutes of the September 23, 2004 BAWSCA Board meeting be approved, the Monthly Budget Status Report, Quarterly Investment Report, and the BAWSCA and BAWUA FY 03-04 Audits be received and filed, the general manager be authorized to appoint a deputy financial officer and pay for RFA expenses, the FY 04-05 BAWUA budget be adopted, and BAWSCA's membership with California Urban Water Conservation Council (CUWCC) be authorized.

8. Action items:

A. Adopt BAWSCA Reserve Policy: Mr. Jensen presented additional language which suggests how rapidly funds should be recovered within the guidelines of the policy. Copies of alternative language were provided to each director for their consideration:

M/S/C (Cooper/O'Mahony; Unanimous) that the following language be incorporated as Section #4 of Resolution 2004-07, Adopting a Reserve Policy, and read as follows:

Each year the proposed budget submitted to the Board by the General Manager shall estimate the amount of the reserve at the end of the fiscal year covered by the budget. If the ending reserve balance is estimated to fall outside the guidelines established by this resolution, the budget shall include a prudent and practical schedule for restoring the reserve balance within those guidelines.

Item 8A was moved for a roll call vote,

M/S/C (Cooper/O'Mahony; Unanimous) 19 Ayes, 0 Noes, 9 Absent (Los Trancos, Stanford, Mountain View, Milpitas, Coastside, Santa Clara, Redwood City, Daly City, East Palo Alto) that the Board adopt Resolution No. 2004 - 07, establishing BAWSCA's reserve policy, and authorize the General Manager to take whatever steps are necessary to implement the resolution.

B. Adopt resolution amending BAWSCA's Conflict of Interest Code

M/S/C (Cooper/O'Mahony/Unanimous) 19 Ayes, 0 Noes, 9 Absent (Los Trancos, Stanford, Mountain View, Milpitas, Coastside, Santa Clara, Redwood City, Daly City, East Palo Alto) that the Board adopt by, roll call vote, Resolution No. 2004 - 08 amending the Conflict of Interest Code; direct the General Manager to forward a copy of the Code to the Fair Political Practices Commission (FPPC); and authorize him to take any other steps necessary to implement the resolution

- 9. Directors' Discussion:** Director Cooper commented that the agenda could be more efficient if the order of business started with public comment, followed by consent calendar, actions items and then reports. She stated that perhaps the order of items may be referred to the Board Policy Committee for discussion. Director Fannon asked how the issue about chloramines brought up by the citizens should be responded to. Director Beecham explained that BAWSCA does not have to respond individually to the citizens delivering statements against chloramines, and that BAWSCA has communicated with SFPUC and other authorities, and will continue to monitor other potential actions that may be taken. Director Weed suggested that the Board Policy Committee consider discussing how BAWSCA could look into the possible opportunities for regional funding for disaster preparedness. Director Cooper suggested for the Board Policy Committee to look into an aggressive conservation program
- 10. Date, Time and Location of Next Meeting:** Mr. Jensen clarified that the board policy committee meeting in April is on Wednesday, April 13, and not April 15, as incorrectly specified in the scheduled attached to the agenda packet. The next meeting is scheduled for January 20, 2005 at 7:00 p.m. in the Wind Room, Foster City Community Center.
- 11. Adjournment:** Director Beecham moved adjournment; seconded by Director Cooper. Following a show of hands, the meeting was adjourned at 9:30 p.m.

Respectfully submitted,

Arthur R. Jensen, General Manager and Secretary

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Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
Board of Directors Meeting
November 18, 2004**

Attendance Roster

Present:

Bern Beecham	City of Palo Alto
Randy Breault	Guadalupe Valley Water District
Roberta Cooper	City of Hayward
Robert Craig	Westborough Water District
John Fannon	Town of Hillsborough
Marc Hershman	City of Millbrae
Chuck Kinney	City of Menlo Park
Peter Nelson	California Water Service Company
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Lee Panza	City of Brisbane
Tom Piccolotti	North Coast County Water District
Chuck Reed	City of San Jose
Chris Reynolds	Skyline County Water District
Tim Risch	City of Sunnyvale
Dan Seidel	Purissima Hills Water District
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Stan Gage	Los Trancos County Water District
Mike Goff	Stanford University
Mike Kasperzak	City of Mountain View
Robert Livengood	City of Milpitas
Chris Mickelsen	Coastside County Water District
Aldyth Parle	City of Santa Clara
Ira Ruskin	City of Redwood City
Adrienne Tissier	City of Daly City
David Woods	City of East Palo Alto