

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
March 16, 2006 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:08 p.m.

BAWSCA Chair, Bern Beecham, called the meeting to order and led the flag salute. The General Manager and 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 – Chair Beecham stated the major progress made this fiscal year. The Water System Improvement Program (WSIP) was adopted by the San Francisco Public Utilities Commission in November, as the Mayor had committed and the SFPUC’s report on the changes to the cost and schedule of the WSIP is being reviewed by the California Seismic Safety Commission and the Department of Health Services for its significance to public health and safety.

BAWSCA continues to be successful with its water conservation programs, and is currently examining water supply alternatives with San Francisco. Internal discussions on new contract negotiations continue, and the preliminary budget for Fiscal Year 2006-2007 is being presented to the board.

Los Trancos has been acquired by California Water Service Company, and legislation has been introduced in Sacramento to remove Los Trancos from the board since the district is no longer an independent supplier of water.

3. Board Policy Committee Report: Committee Chair Rosalie O’Mahony reported that at its meeting on February 15, 2006, the committee discussed the responses BAWSCA received from the inquiries it made for existing, current and anticipated studies on the human health effects of chloramines in drinking water. The committee received reports on the collaboration of efforts by BAWSCA, SFPUC, and Bay Area Economic Forum to study the impacts of water shortages during drought, and the \$1.1M credit to suburban customers from the Master Contract compliance audit for FY 2002-2003. The committee supports the water conservation program and reimbursement policy being presented for board approval. The committee discussed the proposed results to be achieved and preliminary budget for FY 2006-07.

4. General Manager’s Report:

a. Chloramine: Mr. Jensen reported that the responses to the inquiries sent to the California Department of Health Services (CDHS), American Water Works Association Research Foundation (AWWARF), Environmental Protection Agency (EPA), and Center for Disease Control (CDC), were not definitive in stating whether any research on human health effects

was done. Mr. Jensen stated that he is currently reviewing information received from the Citizens Concerned About Chloramine (CCAC), and intends to forward the information to health officials. The question of whether the use of monochloramine in drinking water might cause adverse health effects has inspired a legislation introduced by Assemblymember Ira Ruskin. The bill requires the California Department of Health Services to identify treatment methods, technologies and management options that reduce or eliminate the need to add disinfectants or additives to drinking water. BAWSCA will follow the progress of this legislation.

Mr. Jensen explained that BAWSCA has no direct role in the treatment of the water and will continue to refer concerned members of the public to their physicians, the San Francisco Public Utilities Commission, public health officers and local legislators. San Francisco selects treatment processes it believes will meet State and Federal standards, and regulatory agencies issue water system permits and monitor compliance with adopted standards.

- b. Water Supply Alternatives Option #4:** The San Francisco Board of Supervisors directed SFPUC to evaluate water supply alternatives to meet additional future water needs. Option #4 is defined as an alternative for meeting water demands in 2030 using no additional supply from the Tuolumne River, other surface water, or naturally non-renewable water supplies. The SFPUC worked with BAWSCA and its agencies to examine potential conservation efforts above and beyond current agency commitments. Other sources of water supplies in the service area including wastewater recycling, and naturally replenished, undeveloped, groundwater were also examined. A report by SFPUC consultants was forwarded to the San Francisco City Planning Department in early March. The report indicates that Option #4 is not a fully functional alternative. At most, it can provide 28.5 mgd of the identified program goal of 35 mgd. No information is available on how Option #4 performs during drought.

Mr. Jensen stated some of the issues and potential issues that came up during the study. Feasibility assessments for all potential sources of supply have not yet been developed. Local sources outside San Francisco are not under SFPUC jurisdiction. Implementation mechanisms have not yet been identified. There has been no assessment of how to meet future needs beyond 2030.

The range between the minimum and maximum potential yields is large due to the limited data or lack of detailed project analyses for a significant number of the identified potential projects. The range will narrow for projects that become more developed. BAWSCA will meet and further discuss the report with the San Francisco Planning Commission, and will examine the potential impacts to customers during drought.

- c. Water System Improvement Program (WSIP)**
California Seismic Safety Commission Hearing (CSSC), March 9, 2006: AB 1823 requires SFPUC to notify CSSC and CDHS of the progress and changes to the cost and schedule of the WSIP so that the impacts to public health and safety can be evaluated. BAWSCA was invited to testify at the CSSC hearing held on March 9th where SFPUC's recent report on the WSIP cost and schedule changes was discussed. In its testimony and written comments,

BAWSCA recommended specific issues the CSSC and CDHS should take into consideration in making their assessment of the report. One is the significance of the individual project delays. While the overall program schedule is completed two years earlier than the old schedule, eight of the nine significant projects listed in AB 1823 are delayed between one and five years. The ninth project no longer appears in the WSIP because the work will be done under a maintenance program. BAWSCA recommends that the commission and CDHS request and look at that project regardless of whether it is in the WSIP or maintenance program. CSSC and CDHS should also look at 1) San Francisco's progress in developing an organization capable of achieving the program's aggressive schedule, and 2) changes in project scopes or levels of service goals.

In response to the commission's inquiry, Art reported the status of local system improvements at the March 9th hearing. To help facilitate system vulnerabilities, the 28 BAWSCA member agencies studied local system seismic vulnerabilities following the report on the regional water system in 2000, and identified necessary capital improvements which are scheduled for completion if not already completed.

CSSC and CDHS' assessment of the changes to the cost and schedule of the WSIP and its impacts to public health and safety is due April 23rd to SFPUC and the Joint Legislative Audit Committee. CSSC discussed delaying the release of its report. Assemblymember Ira Ruskin submitted a letter urging them to meet the legislative deadline.

Quarterly Progress Report: Mr. Jensen stated that the content and format of the first quarterly progress report on the WSIP, released in February by the SFPUC, is excellent. The executive summary of the report highlights progress resolving critical issues, and indicates that the overall progress of the program is on schedule and on budget. The report uses, and will continue to use, the program schedule adopted in November as the baseline for comparison. Reasons for delays of projects are articulated in the report. Mr. Jensen noted that Mr. Irons has worked hard to ensure the reports reflect an honest assessment of project status and maintain integrity as a management and monitoring tool. While a summation of the overall progress is helpful, BAWSCA will continue to look at progress of individual projects. Mr. Jensen stated that the report is the first quarterly report, and indicated the importance of monitoring progress and trends over the next several reporting periods. The report is available on the BAWSCA website.

5. **Pending State Legislation:** Mr. Jensen reported on pending legislation introduced by Assemblymember Ira Ruskin. AB 2236 would eliminate the membership of the Los Trancos County Water District with BAWSCA and RFA as a result of its water distribution operations being acquired by the California Water Service Company. AB 2402 would require CDHS to identify treatment methods, technologies and management options that reduce or eliminate the need to add disinfectants or additives to drinking water. The introduction of the bill was inspired by the question of whether the use of monochloramine in drinking water might cause adverse health effects. AB 2659 relates to the proposal to drain Hetch Hetchy. It would prohibit the use of State funds or resources for studying the feasibility of draining Hetch Hetchy Reservoir until certain conditions were satisfied. In response to Director Claire's

inquiry regarding BAWSCA's budget plan for monitoring legislation, Mr. Jensen explained that BAWSCA has not budgeted resources to review ongoing legislation. BAWSCA stays informed of legislative activities, and responds on an as-needed basis. If extensive effort is necessary, BAWSCA will come back to the board, as has been done in the past, for authorization to adjust priorities and budgets.

6. **SFPUC Report:** General Manager, Susan Leal, stated that the SFPUC is very supportive of Assemblymember Ira Ruskin's legislation. Ms. Leal said she met with Assemblymember Ruskin particularly about his legislation relating to the restoration of Hetch Hetchy, and the chemical additives. SFPUC is very pleased with the legislation that says no dollars should be spent on the restoration of O'Shaughnessy Dam until the levees and other state crises are addressed. Ms. Leal also expressed support for the legislation relating to the chemical additives and stated that SFPUC's use of chloramines as a disinfectant is in response to water quality regulations imposed by the State.

A competitive bond sale for the first issuance of the WSIP water bonds was held on February 28th. The bond sale received great interest from five underwriters, and was awarded to Merrill Lynch, which offered the lowest interest cost at 4.45%. \$125 million in short term interest paper was also exchanged at a lower rate, and will be locked in for 30years.

SFPUC is working with the Bay Area Economic Forum on the analysis of economic impacts during drought. A new Director of Environmental Regulatory Compliance was recently hired to carry out the environmental and permitting work for the WSIP. A reception for a special photo exhibit on the Hetch Hetchy Water System is scheduled for April 10th at City Hall. The BAWSCA board of directors and staff are invited.

Deputy General Manager, Tony Irons, reported that Parsons CH2M Hill is providing high level advice to SFPUC, and has individuals assigned to work on the construction management of specific projects. The SFPUC is moving forward with the implementation activities and changes Parsons recommended. The SFPUC and its project managers worked very hard to produce accurate and credible reporting in the Quarterly Progress report. The document provides statistical data that relate to text explaining whether or not a project is on schedule and on budget. The report states whether or not the goals were met, and establishes new goals for the next quarterly report.

An SF STAT meeting is scheduled for March 23rd, in which SFPUC will present to Mayor Newsom an explanation of where the program is, including the status of the projects and the money spent. Mr. Irons offered to bring the presentation at the next BAWSCA board meeting.

A supplemental appropriation for additional funding to move the program forward is in the process, and will be presented to the San Francisco board of supervisors.

Ms. Leal commented that members of the public can provide their comments on chloramines to the commission at its meetings. In response to Director Fannon's inquiries on chloramines, Assistant General Manger for Water, Michael Carlin explained that the addition of chloramines is to comply with State and Federal regulations for water disinfection. Mr. Carlin stated that SFPUC is the last wholesale water agency in the Bay Area to implement chloramines as a disinfectant, that chloramination is a common practice, and that treatment processes can be changed if regulatory agencies find the need to change regulations based on health findings.

7. Public Comments:

Lillian Lieberman, member of CCAC, stated information on the human health effects of chloramines is inadequate and asked for assistance in getting human health studies done.

Nancy Gilbertson, said there are health effects of chloramine and asked for its suspension.

Laurie Pascual, Union City resident spoke against the use of Chlorine, Chloramine, and Fluoride.

Kenneth Russo, Burlingame resident and CCAC member, stated there are harmful effects of chloramines that he has experienced, and that he has seen negative impacts on plumbing and the environment.

David Heran, CCAC member, stated he experiences health effects from chloramine.

Rita Solk, member of CCAC, asks BAWSCA to facilitate health studies to determine the safety of chloramines as a disinfectant for tap water.

Linda Corwin, CCAC member, spoke against chloramines and acknowledged the efforts of North Coast County Water District (NCCWD) and BAWSCA to inquire about health studies by State agencies. She believes that BAWSCA has the influence to initiate study of the human health impacts of chloramines.

Marilyn Raubitschek, CCAC member and resident of San Mateo, said she experiences health effects from chloraminated water.

Wynn Grcich, spoke against chloramines and referred to a study about trihalomethans and chloramines in drinking water.

Denise Johnson-Kula, President of the CCAC, thanked Assemblymember Ruskin for AB 2402, and BAWSCA for listening to the comments of the people who suffers from chloramine, and for verifying that no studies have been done on the human health effects of chloramine. Ms. Johnson-Kula stated that the EPA requirement is to "lower trihalomethanes", and did not dictate the use of chloramines. CCAC has researched options and recommends filtration of organic matter before the use of chlorine to reduce formation of trihalomethanes as an alternative water treatment process.

Jackie Kehl, CCAC member, said there are negative effects of chloramine.

Heather Dempsey of the Tuolumne River Trust and of the Bay Area Water Stewards stated the coalition's support for the San Francisco Board of Supervisors direction to develop the water supply alternative option #4. While the report did not provide 35mgd, it produced significant information. She encouraged consideration of the water supply alternative projects and regional water conservation measures to reduce demand on the Hetch Hetchy system and protect the Tuolumne River.

In closing the public comment portion, Chair Beecham urged members of the public with concerns about chloramine to speak at the commission meetings for effective action.

- 8. Report: Results to be achieved in FY 06-07 and Preliminary Budget:** Mr. Jensen reported that current activities for FY 2005-06 are within and below budget. Unspent funds will be deposited in BAWSCA's reserve fund, increasing it to 25% of the agency's operating budget and meeting the agency's reserve policy. The preliminary budget and planned results for FY

2006-07 was presented and discussed at the February 15th meeting of the Board Policy Committee.

The preliminary budget is 9.1% higher than the current year. The majority of the budget increase is from consultant services needed for the greater emphasis on monitoring the WSIP, the continued environmental work for the PEIR, and negotiations of a new water contract. The preliminary budget includes budget for BAWUA of \$3,650 and \$7,550 for the RFA.

Mr. Jensen proposed the accommodation of non-Christian holidays, which the Board Policy Committee supported at its meeting. Currently, non-Christian religious holidays require the use of vacation or administrative leave. Information from a staff survey of member agencies indicate that BAWSCA is at least 16 hours below the total vacation/holiday/administrative leave times offered at other agencies. A recommendation that would be taken back to the committee at its April meeting is to create two floating holidays for staff to take in observance of non-Christian holidays.

Two options were presented to fund the budget. One option would be use the BAWUA reserve of \$149,000 and increase agency assessments for by 8.4%. A second option would be to leave the BAWUA reserve unused, and increase agency assessments by 16%. In response to Director Goff's inquiry about BAWUA's continued existence, Legal Counsel, Ray McDevitt explained that BAWUA would continue to exist even after the remaining reserve is utilized to zero. Under the existing contract with San Francisco and under the San Francisco City Charter provision, BAWUA is authorized to appoint a representative to the San Francisco Revenue Bond Oversight Committee. That authority would be a reason to maintain the association.

Director O'Mahony summarized the Board Policy Committee's comments on the results to be achieved for FY 2006-07, the preliminary budget, and funding options. The committee recommends an adjustment of 1.74% to the top step of salary ranges other than the general manager, and two floating holidays. Four committee members supported funding the budget with a combination of using the BAWUA reserve funds and increased assessments. One member abstained, and one member opposed. With the exception of one member, the committee supported budgeting for a merit compensation for the general manager.

Mr. Jensen asked for board discussion and input on the item. Director Weed encouraged the consideration of including a Hetch Hetchy system tour in the workplan for FY 06-07. Mr. Jensen will look into the possibilities and report back to the board in May. Art clarified that increased consultant costs were associated with water supply reliability and the new water contract. Director Risch asked how much of the cost increase related to inflation and how much to increased service. Art explained that of the total budget increase of \$191,292, increased consultant services amount to about \$177,000.

9. Consent Calendar

M/S/C (O'Mahony/O'Connell; Unanimous) that the Minutes of the January 19, 2006 BAWSCA Board meeting be approved; the Monthly Budget Status Report and Quarterly Investment Report be received and file; and the general manager be authorized to negotiate and execute a contract with EGIA, subject to legal counsel's final review; Offer the program to BAWSCA member agencies; and Implement the Washing Machine Rebate Program in FY 2006-07.

Item 9D-2: The Pilot Cooling Tower Water Conservation Rebate Program was pulled from consent for further discussion of recent changes since it was presented to the board policy committee for board action. The original plan to implement the program with Santa Clara Valley Water District (SCVWD) changed to partnering with the California Urban Water Conservation Council (CUWCC). In addition to favorable responses to their Request for Proposals (RFP), State grant funds are available through CUWCC. BAWSCA member agencies interested in participating in the program include six that are signatories of the MOU for water conservation, and four that are not. Implementing the program through BAWSCA would restrict the availabilities of State grant funds to non-CUWCC signatories. Mr. Jensen presented a modified recommendation to authorize the general manager to negotiate and execute necessary agreements with CUWCC to implement the Pilot Cooling Tower Rebate Program.

M/S/C (O’Mahony/O’Connell/Unanimous) that the general manager be authorized to negotiate and execute necessary agreements to implement the Pilot Cooling Tower Rebate Program.

10. Action Calendar:

a. Adoption of Directors’ Expense Reimbursement Policy:

M/S/C (O’Connell/Vella) that the board of directors adopt, by roll call vote, the attached resolution, "Policy on Reimbursement of Expenses Incurred by Members of the Board of Directors".

Ayes: Claire, Fannon, Fergusson, Gage, Goff, Guzzetta, Hershman, Mickelsen, O’Connell, O’Mahony, Piccolotti, Reynolds, Risch, Seidel, Vella, Weed, and Wykoff; **Noes: 0;**

Absent: Breault, Bologoff, Cooper, Craig, Kolstad, Kasperzak, Livengood, Reed, Woods
Director Tissier left before the vote.

11. Directors’ Discussion: Comments, Questions and Agenda Requests:

Director Weed invited members of the board to the meeting of Region 5 Association of California Water Agencies scheduled for April 3rd at Scotts Valley Hilton. The key topic will be desalination.

Director Piccolotti announced Ann DeJarnette was recently appointed to the North Coast County Board of Directors, who has been with the district since its formation.

12. Adjournment to the San Francisco Bay Area Regional Water System Financing Authority. The meeting was adjourned at 9:23pm

13. Date, Time and Location of Next Meeting: The next meeting is scheduled for May 25, 2006 at 7:00 p.m. in the Wind Room, Foster City Community Center.

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
March 16, 2006**

Attendance Roster

Present:

Bern Beecham	City of Palo Alto
Richard Claire	City of Redwood City
John Fannon	Town of Hillsborough
Kelly Fergusson	City of Menlo Park
Stan Gage	Los Trancos County Water District
Mike Goff	Stanford University
Rob Guzzetta	California Water Service Company
Marc Hershman	City of Millbrae
Chris Mickelsen	Coastside County Water District
Irene O’Connell	City of San Bruno
Rosalie O’Mahony	City of Burlingame
Tom Piccolotti	North Coast County Water District
Chris Reynolds	Skyline County Water District
Tim Risch	City of Sunnyvale
Dan Seidel	Purissima Hills Water District
Adrienne Tissier	City of Daly City
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Randy Breault	Guadalupe Valley Water District
Cyril Bologoff	City of Brisbane
Roberta Cooper	City of Hayward
Robert Craig	Westborough Water District
Mike Kasperzak	City of Mountain View
Patrick Kolstad	City of Santa Clara
Robert Livengood	City of Milpitas
Chuck Reed	City of San Jose
David Woods	City of East Palo Alto