

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING  
February 19, 2004 – 7 p.m.  
Foster City Community Building, Foster City, CA**

**MINUTES**

**1. Call to Order/Pledge of Allegiance/Roll Call – 7:05 p.m.**

Ira Ruskin, Chair, called the meeting to order and led the flag salute. Acting Secretary Art Jensen called the roll. Twenty (20) members were initially present, constituting a quorum. Additional members arrived after roll call. A list of directors present (23) and absent (5) is attached.

**2. Comments by the Chair:** Mr. Ruskin announced that Director Jean Auer of Hillsborough has resigned, and the Town of Hillsborough has appointed John Fannon to replace her. Mr. Ruskin expressed his own and the Board's appreciation for Ms. Auer's contributions to BAWSCA's start-up.

Mr. Ruskin reported that staff is beginning to develop BAWSCA's first budget. He said BAWSCA's current cost to member agency customers of \$4.00 per year per household represents a good value, and BAWSCA is committed not to spend any more than is necessary to achieve its goals.

**3. SFPUC Report:** Mr. Ruskin introduced Michael Carlin, Director of Planning for the SFPUC, reporting on behalf of Pat Martel, who was out of town. Mr. Ruskin asked Mr. Carlin to request from Ms. Martel the date on which BAWSCA could expect to receive the report on reduction of risk of water outages as the system is repaired. Mr. Carlin said that the second phase of the system risk analysis was due to be completed this spring and he would be glad to do a presentation on the analysis at a future meeting.

**4. Public Comments:** None.

**5. Consent Calendar:** Mr. Jensen stated that the Consent Calendar would have to be voted on by roll call vote because it included a Resolution regarding authorized signatures for BAWUA and BAWSCA bank accounts.

**M/S/C (Beecham/Kasperzak; unanimous roll call vote) that Consent Agenda Items A through F as follows, be approved: A. Minutes of December 18 and January 15 meetings; B. Adoption of BAWSCA Investment Policy; C. Signature Authority for BAWSCA and BAWUA Bank Accounts; D. Authority for BAWSCA to pay Expenses of the Regional Financing Authority; E. Participation in BAWAC Study on Bay Area Water Management Efforts; and F. Participation in BAWAC Integrated Regional Water Management Plan.**

**6. Action Calendar:**

- A. CalPERS Retirement Plan—Resolution to Implement IRS Code Section 414(h) (2):** Legal counsel Ray McDevitt noted that the purpose of the proposed resolution was to allow employee contributions to the CalPERS Retirement Program to be made using pre-tax, rather than after-tax, income. The pre-tax method is expressly permitted under IRS Code Section 414(h) (2), provided the employer has on file a formally adopted resolution that the employer chooses to make or “pick up” the contribution on the employees’ behalf. The “pick-up” provision would have no fiscal impact on BAWSCA, since BAWSCA would merely be submitting to CalPERS its employees’ contributions that would have been deducted from the employees’ pay.

**M/S/C (Cooper/Craig; unanimous roll call vote) that the Board adopt the Resolution for Employer Pick-up of Employees’ CalPERS Contributions.**

- B. Reconsideration of Weighted Voting:** Mr. Ruskin reviewed the requirement for calling for weighted voting in BAWSCA’s enabling legislation: a weighted vote must be requested prior to the vote on a motion being taken. In October the Board considered an amendment to the Rules of the Board to allow a director to request weighted voting “before the next item on the agenda is introduced for consideration.” The legislation gives the Board authority to change the rules for weighted voting. To amend those rules, requires an affirmative vote by both 2/3 of the membership (19 votes) and 51 weighted votes. The motion failed on a vote of 14 ayes to 6 noes because it did not meet the unweighted vote requirement of 2/3 of the membership. A motion was made and passed to bring weighted voting rules back to the Board at a later meeting when more directors might be present. Mr. Ruskin said that the vote to amend the Rules of the Board would require a weighted vote.

Director Irene O’Connell (San Bruno) reported that the Start-up Advisory Committee recommends that the board adopt the change in rules. She said she had originally been an opponent of the rule change, but now believes this change will benefit members. Director Panza expressed concern that permitting a call for weighted voting after a vote has been taken could create rather than minimize divisiveness because of the perception that the agency requesting the weighted vote is trying to overturn the previous vote. Director O’Connell responded that the Start-up Committee had considered this factor, but concluded that agencies would feel a greater sense of security about not having to call for weighted voting on routine issues if they know they can call for such a vote after an unweighted vote on a matter of extreme importance to their agency.

**M/S/C (O’Connell/Cooper; 20 ayes, 2 noes (North Coast and Westborough); weighted vote of 88 ayes, 3 noes)**

Following the vote, legal counsel clarified that members may still request weighted voting before a vote on a motion is taken if they choose. The adopted rule change simply moves the timing for the last opportunity to call for a weighted vote to just before a new item is considered.

**7. Reports**

**A. Start-up Advisory Committee:** In the absence of Committee Chair Aldyth Parle, Director Bern Beecham reported that the committee is proceeding on schedule and has begun some discussions of allocation of costs relative to budget development and impacts of the assessment schedule contained in the enabling legislation. The Committee will continue to discuss this issue and hopes to bring a report to the Board soon.

**B. General Manager's Report:**

1. Policy Calendar: Mr. Jensen noted that that bolded items on the Policy Calendar reflect items that have already been presented as results to be achieved by June 30, 2004. Responding to a question regarding dry year water transfers, Mr. Jensen said that the date for that activity has been shown as FY 2004-05, and has been dropped from this list for the remainder of FY 2003-04.
2. Technical Advisory Committee: Mr. Jensen reported that the Technical Advisory Committee (TAC) had held its first meeting on February 18. The purpose of the TAC is to provide an avenue of communication with and among the technical and managerial staff of the member agencies, to identify what issues are emerging and to obtain input on technical matters prior to board consideration. The TAC will meet monthly unless there is no need to meet. The next meeting will be March 4.

Director Wykoff asked whether there was any provision that would exclude a member of the board from sitting on the TAC. Mr. Jensen said he would investigate this issue.

3. Comment on Draft Engineering Report: Mr. Jensen explained that the California Department of Health Services (DHS) issues permits for public drinking water systems, signifying that those systems have been examined by the State for meeting all of the State's requirements for delivery of safe drinking water. In the past San Francisco has had one permit for its entire system. The DHS has now issued one permit for the water distribution system inside San Francisco and is developing a separate permit for the regional water system that serves BAWSCA members and San Francisco. A copy of the draft report was provided to BAWSCA for review, and a copy of comments that have been submitted are in the agenda packet. Mr. Jensen emphasized that this is an important issue, because it establishes an obligation for San Francisco to provide the wholesale customers with water that meets federal and state drinking water standards. DHS anticipates issuing the permit this summer.
4. Update on the SFPUC's Proposed Operating Budget: John Ummel, Staff Analyst, said that one of his principal functions is to oversee the wholesale cost of water charged by San Francisco and ensure that it is done in a fair and equitable manner. He cited two major cost components of the wholesale cost of water—operating costs and capital costs, but said his presentation would focus on operating costs only.

Mr. Ummel explained that the SFPUC comprises four major enterprises—Hetch Hetchy Water & Power, the City Water System, the Regional Water System, and the City Wastewater System, with a total budget of \$398 million. BAWSCA members pay for a portion of the costs associated with the regional water system. BAWSCA

members' share of the current year rent SFPUC budget, called the Suburban Revenue Requirement, is approximately \$100 million, broken down into \$55 million for operations and maintenance and \$45 million for capital projects. He noted that in 1995, the Suburban Revenue Requirement was only \$55 million. He attributed the nearly 100% increase to the SFPUC's effort to catch up on deferred maintenance and replacing outdated technology, a 91% increase in staff, and other costs of accelerating the CIP and meeting water quality regulations. In FY 04-05, for example, he said \$6.7 million in cost and 23 new positions are included in the proposed budget. In 2015, when the CIP is completed, the Suburban Revenue Requirement is projected to be \$250 million.

He reviewed San Francisco's budget process, noting that the Commission has approved the proposed FY 04-05 budget as recommended by the general manager. The next reviews are by the Mayor's Office and Board of Supervisors' Budget Committee. Adoption by the Board of Supervisors is scheduled for June or July. Some of the issues BAWSCA has raised with the SFPUC budget include the fact that budget documents and new proposals do not clearly define results to be achieved. The SFPUC is in the process of completing a performance assessment study that may provide meaningful measures. Also, BAWSCA has limited time to review the proposed budget. The SFPUC has agreed to try to expand the review period.

Asked how one could be sure the cost allocation for BAWSCA members is accurate, Mr. Ummel responded that the SFPUC has an outside auditor. BAWSCA staff work with the auditor in preparing the final Master Contract Compliance Audit. Mr. Jensen reported that Commissioner Normandy said he wants to form a Task Force to deal with some of the issues surrounding the SFPUC budget. SFPUC General Manager Pat Martel has said she is willing to approach the budget based on results, but she is constrained by the standardized format currently in use by all departments within the City and County of San Francisco.

Asked how much power BAWSCA has over the SFPUC budget, Mr. Jensen responded that BAWSCA has no direct voting power or authority, but San Francisco is being more attentive to BAWSCA's comments on the process, a reflection of the political power represented by BAWSCA's Board and supporters. The effectiveness of BAWSCA's communications might be enhanced if elected officials from BAWSCA were to attend SFPUC budget hearings.

**C. Presentation on Ability of SFPUC to Implement the Capital Improvement**

**Program:** Mr. Ummel introduced Bill Faisst of Brown and Caldwell (B&C), who presented an overview of a study his firm has been conducting of the CIP effort. Mr. Faisst noted that his report represents a joint effort, not only of Brown & Caldwell and BAWSCA staff, but also of SFPUC staff, who have been very cooperative. He said the short answer to the question, "Can the SFPUC get the CIP completed on time and on budget?" is that it is too early to tell. The SFPUC is expected to issue a cost update to its August 2003 report very soon. Preliminary review suggests some individual project costs may increase by 10 percent, but the SFPUC states that the overall costs of the CIP will remain the same. In addition, schedule slippage is expected on some major projects. B&C suggests that opportunities for acceleration may exist through rethinking project schedules, considering design-build contracting alternatives, and moving up smaller projects having major benefits. The Programmatic EIR may result in delays of 2-3 years

on major projects. B&C's recommendations include 1) Review changes in project schedules for implications to water customers; 2) Review resources relative to needs; 3) Support efforts to accelerate projects; 4) Support use of state of the art engineering design standards; 5) Continue participation with SFPUC in developing system performance standards; 6) Review pending report on how projects reduce risk and outage times; and 7) Provide progress updates to BAWSCA every 6 months.

Mr. Jensen commented that BAWSCA has requested that a progress curve be set up to complement the expenditure curve the SFPUC is already providing. Director O'Mahoney asked who is overseeing the CIP work. Mr. Carlin, SFPUC Planning Director, said that the SFPUC employs outside consultants for all projects, with a consultant firm called Water Infrastructure Partners (WIP) serving as the program manager for the CIP.

Director Breault asked whether the reassessment of the seismic study had been scheduled, noting that the reassessment could reveal new projects rising to the top in priority for regional reliability, whereas other projects may have been started that are determined to be of lesser priority. Mr. Faisst responded that the re-evaluation had already started and a report is expected in the next two months. Mr. Breault then asked whether the SFPUC's practice of essentially designing every project from scratch represents an industry norm at this time. Mr. Faisst responded that they had pointed out to the SFPUC several examples of large agencies such as San Diego and Seattle that had developed good standards and similar seismic zones. Subsequently the SFPUC began tracking down these resources and is trying to update their procedures to bring them up to the state of the art.

Director Gage noted that cost and timing overruns typically occur late in project schedules rather than early. He said the Board needs some threshold points to monitor whether a different approach is needed before too much time elapses. Director Seidel expressed concern about timing, noting that the purchasing power of \$10 million is lost each month of delay.

Director Reed asked how the PEIR relates to reliability aspects of the CIP. Mr. Faisst responded that some projects could impact reliability as well as supply (capacity). Mr. Carlin stated that any project that enables the transmission or treatment of more water would be considered a candidate for environmental review.

8. **Directors' Discussion, Comments, Agenda Requests:** None.
9. **Date/Time/Location of Next Meeting:** Next meeting to be held Thursday, March 18.
10. **Adjournment:** There being no further business, the meeting was adjourned at 9:10 p.m.

Respectfully submitted.

Arthur R. Jensen, General Manager  
and Acting Secretary

ARJ/GE

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY**  
**Board of Directors Meeting**  
**February 19, 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
Stan Gage	Los Trancos County Water District
Mike Goff	Stanford University
Marc Hershman	City of Millbrae
Mike Kasperzak	City of Mountain View
Robert Livengood	City of Milpitas
Chris Mickelsen	Coastside County Water District
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
Tim Risch	City of Sunnyvale
Ira Ruskin	City of Redwood City
Dan Seidel	Purissima Hills Water District
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
David Woods	City of East Palo Alto
Rick Wykoff	City of Foster City

Absent:

Chuck Kinney	City of Menlo Park
Aldyth Parle	City of Santa Clara
Chris Reynolds	Skyline County Water District
Adrienne Tissier	City of Daly City