

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
BOARD OF DIRECTORS MEETING  
September 23, 2004 – 7 p.m.  
Foster City Community Building, Foster City CA**

<b>MINUTES</b>
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**1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 p.m.**

Ira Ruskin, Chair, called the meeting to order and led the flag salute. Secretary Art Jensen called the roll. Seventeen (17) members were present, constituting a quorum. Five (5) directors arrived after roll call. A list of directors present (22) and absent (6) is attached.

- 2. Comments by the Chair:** Mr. Ruskin welcomed SFPUC General Manager, Susan Leal. He announced that he has invited Mayor Newsom to attend the November 18 Board meeting. Mr. Ruskin referred to the letter from Mayor Newsom distributed to the board at the July 15 meeting. He said that while the letter did not fully provide the commitment the Mayor made to the BAWSCA board members, he believes that BAWSCA should move forward with a constructive, collaborative approach to working with the Mayor's office and SFPUC. Mr. Ruskin stated his concern that the CIP is already \$200M over budget, as reported by the SFPUC. Mr. Ruskin announced that the San Mateo Board of Supervisors developed a drinking water emergency plan to cope with long term outages, and that BAWSCA will continue to work with other counties.

Mr. Ruskin introduce Director Rosalie O'Mahony, Chair of the Board Policy Committee, to report on the committee's first meeting. Ms. O'Mahony reported that the committee's first meeting was held on July 28 where BAWSCA Chair Ruskin defined the committee's role: "...to advise the board and general manager about policy issues related to BAWSCA's goals and courses of actions proposed by the general manager to address those issues". Ms. O'Mahony reported that three items in the board agenda this evening were discussed at the meeting. She stated the strategic issues that BAWSCA general manager has identified for the committee to monitor and discuss. She noted that other issues will arise that will be included in the committee agenda, as they are directly related to the health, safety and economic well-being the board members' constituents.

- 3. General Manager's Report:** To help the board use its time to focus on key policy items, Arthur Jensen stated that future administrative items will be brought forward as consent items if possible, and that items requiring a roll call vote may be grouped together for efficient action. These actions would not limit discussion of the items by the board.

Mr. Jensen explained that the SFUC report to the State attempts to satisfy multiple reporting requirements under AB 1823 and Proposition E. The report provides an update on the CIP progress, required by AB 1823, and includes a proposed, but not yet adopted, CIP schedule changes. The report presents a number of accomplishments on the local and regional projects,

but not compared to planned progress. The original budget and the revised budget of the program are shown, but the total dollars expended to-date are not. The report also shows that the cost of regional projects has increased by seven percent, and that wholesale water rates would increase by 25 percent. He stated that staff has requested additional information from SFPUC to get the basis of that increase. The report informs the State that 11 of 39 regional projects are postponed. Eight of the nine projects listed in AB 1823 are postponed on an average of 14 months. Five projects are postponed for less than one year, and the Irvington Tunnel alternative and Calaveras fault crossing are postponed by less than 4 years. Mr. Jensen announced that the SFPUC will be holding a hearing on September 28 where the commission is expected to adopt the revised program schedule. BAWSCA will be providing comments at the hearing.

Mr. Jensen stated that the letter written by Mayor Newsom stands as it was received on July 15. Mr. Jensen reported that the county health officers are still deliberating on a position on Chloramination. A letter containing details of the process was received from SFPUC staff, Andrew DeGraca and is included in the agenda. Recent water industry articles discuss possible health impacts resulting from chloramination of “salty” water which leads to a byproduct called iodoacid. This byproduct may be of concern for some water sources, but not Hetch Hetchy water. Mr. Jensen reported that the ACWA Region 5 Hetch Hetchy tour was successful.

There being no comments or questions, Mr. Ruskin introduced SFPUC General Manager Susan Leal.

4. **SFPUC Report:** Ms. Leal stated her appreciation for the warm welcome and described herself as a proud San Francisco native who recognizes the importance of the City’s relationship with its friends to the South and East of the city and the Bay Area. . She described her background and experience which include degrees in Economics and Law, counsel positions in the House of Representatives and in the assembly finance committee, and a role in establishing a small business into a publicly traded company with over two thousand people. Ms. Leal stated that the mayor assigned her to head the SFPUC to address the restructuring and reorganization it calls for. She believes that she brings the good management and financial skills the tasks requires as well as the dedication to the city and to the city’s partners in making SFPUC work for everyone. Ms. Leal introduced Tony Irons, Deputy General Manager, whose background include serving as the chief architect to the City during the renovation of City Hall. She stated that Mr. Irons brings experience in complicated and large projects, which is important to the CIP. Ms. Leal explained that understanding and knowing what SFPUC’s CIP is building is important. Ms. Leal presented the potential projects critical to the whole region that may be influenced by the Program Environmental Impact Report (PEIR). She explained that the projects must first be fully defined before moving on to the planning department to go through the PEIR. She discussed the potential PEIR policy issues such as water treatment strategies, how the program is affected by increased water demand, the need to define system reliability for seismic events, alternative sources for water supply reliability, the system’s hydraulic capacity and how it affects the movement of water, and potential environmental protection questions. Ms. Leal emphasized that the policy issues are key issues and that SFPUC staff is working hard to obtain the critical information needed to develop key documents. Ms. Leal

reported that the projected levels of future water purchases should be developed by mid or end of November. She presented a list of documents with expected dates of completion including the System Hydraulic Analysis which is expected to be completed by end of October, the System Hydrologic Analysis, Water Supply Options, and Seismic Delivery/Recovery in November and the Alternative Analysis Report in Spring 2005.

In response to Director Cooper's inquiry on the movement to reclaim Hetch Hetchy Valley, Ms. Leal explained that the SFPUC is taking the matter seriously. She stated that the debate is going to become a national debate and to stay on top of the issue, the SFPUC is having a cooperative relationship with Environmental Defense, the organization that is scheduled to publish a report on draining the Hetch Hetchy Valley. Mr. Leal reported that the SFPUC is thoroughly studying alternatives.

Mr. Ruskin announced that the topic is on the agenda as Item 9 and will be further discussed.

Director Parle asked how well prepared the commission is for responding to the critical projects. Ms. Leal explained that there are two new members of the commission and she has been impressed by how well they are coming up to speed. She reported that the newly appointed commissioner and former ambassador, Richard Sklar, was a former general manager of the SFPUC and has incredible knowledge of the system. Ms. Leal stated that despite the managerial and organizational issues, she has been impressed with SFPUC's dedicated staff who have been studying the policy issues that have been brought to the BAWSCA board.

Director Ruskin requested that Ms. Leal work with Mr. Jensen in providing the board information in regards to the alternative analysis report. He also requested for Mr. Jensen to provide the board an update of the SFPUC critical projects at a future meeting.

5. **Public Comments:** Nancy Greich stated that the National Defense Council sued the EPA in 2000 to bring down the arsenic level in the water from 50 parts per billion to 10. She asked how much has it been brought down in the past 4 years and is it going to be on schedule in the year 2006 when it is supposed to be achieved? Ms. Leal stated that she could provide BAWSCA information which can be provided to Ms. Greich, and called Andrew De Graca from the SFPUC Water Quality Bureau to provide more information.

Mr. De Graca explained that because of our (SFPUC) water source, the arsenic level is typically one or two, which is a very low level. Ms. Greich reported that according to a map in the *Scientific American*, the Bay Area was shown to have highest arsenic level. She stated that another source talks about arsenic levels at 50 parts per billion. Mr. De Graca explained the water from the PUC have low levels and believes that of other utilities in the Bay Area. Ms. Greich presented a jar of water taken on June 1<sup>st</sup> which contained corroded galvanized steel, brass and copper. She stated the health implications of copper in the water, and of blended water and questioned what is being done about it. Mr. DeGraca explained that the PUC is required to meet the lead and copper rule and has no corrosion problems. Mr. Ruskin stated that Ms. Greich can ask further questions regarding the SFPUC in writing or at a SFPUC meeting. He asked if there were other public questions and general comments. There were none.

**6. Consent Calendar:**

**M/S/C (Seidel/Cooper; unanimous) that the Minutes of the July 15, 2004 BAWSCA meeting be approved, the Monthly Budget Status Report and Quarterly Investment Report be received and filed, the general manager be authorized to negotiate and execute a Professional Service contract with Maddaus Water Management to implement a Regional Evaluation of Conservation Measures, and the Board Policy Committee Purpose Statement be adopted.**

**7. Action items:**

**A. Authorize Investment of BAWSCA Funds in LAIF:** Mr. Jensen reported that the board adopted an investment policy which requires the public's money be invested in secure accounts. He presented two alternatives. One would require establishing three or four accounts at separate banks. The second requires establishing one account with LAIF. Mr. Jensen explained that investment with LAIF is what is recommended to the board because while LAIF is not FDIC insured, it is administered by the State and complies with certain investment laws. Investment with LAIF offers flexibility, competitive interest rates, and an efficient administration. Art stated that the three recommendations on which the board is being asked to act include, the adoption of a resolution for BAWSCA to invest in LAIF, the approval to invest BAWUA funds in LAIF, and the dissolution of BAWUA's operating reserve. Art explained that only the first item requires a roll call vote, but recommends that the board act on all three. There being no questions or comments, the board acted on item 6-A.

**M/S/C (Cooper/Parle; unanimous) 21 Ayes, 0 Noes, 7 Absent (ACWD, East Palo Alto, Milpitas, San Bruno, San Jose, Palo Alto, Westborough) to A) approve a resolution authorizing BAWSCA membership with LAIF; B) as the ultimate governing authority of BAWUA, approve BAWUA membership with LAIF; 3) As BAWUA's sold member, approve dissolution of BAWUA's operating reserve**

**8. Reports**

**A. San Francisco Capital Improvement Program Progress (CIP):** Mr. Jensen reported that his meeting with Susan Leal and Tony Irons on September 17 was productive and that they discussed BAWSCA's concerns and observations, and how the SFPUC plans to monitor the budget and progress of the program. Mr. Jensen reported that the July 2004 Brown & Caldwell report indicates that overall CIP progress appeared on target and it listed concerns that could affect future progress and performance. Based on additional review of information BAWSCA received from the SFPUC, it is not yet possible to tell whether individual projects are on schedule. Detailed schedules have been provided but the critical path and critical dates for commission action are not shown and progress and cost by project phase cannot be reliably tracked. The overall progress of the CIP appears to be good with total CIP expenditures between \$23 and \$26.5 million and a total program earned value of \$27.3 million. Mr. Jensen explained that he has concerns that the actual expenditures may not include outstanding

liabilities and obligations, and that exceeded task budgets of individual phases reflect inaccurate charges, underestimates and management issues.

Mr. Jensen reported on several issues San Francisco is addressing, which include the continuing refinement of the project monitoring system that is in place: the refinement of project phases, schedules and budgets; clarification of critical path activities; and reliable estimates of earned value for each project. He stated that San Francisco recently issued instructions to all project managers with on the revised definitions of project milestones to establish a consistent system measuring progress of the projects and work of the project managers. Mr. Jensen emphasized that it is important that the initial steps of the CIP be managed well. He summarized BAWSCA's action plan to continue working with SFPUC, participate in a scheduled peer review of the CIP by the American Society of Civil Engineers, discuss concerns with Ms. Leal and Mr. Irons, analyze available information, and produce conclusions and recommendations. Mr. Jensen suggests that the board reiterate its request for reports from the mayor's office if he is unable to bring specific statements on SFPUC's progress on the cost and schedule of the CIP at the November meeting. In summary, he cited that while the CIP's progress appears good, the budget increase of seven percent this early in the schedule demonstrates the work will not be completed within budget. Mr. Jensen then cited future water demand as a policy issue that affects the Program Environmental Impact Report (PEIR). He stated that the board need to be fully informed of the issues.

In response to Director Risch's inquiry, Mr. Jensen explained that the water demand information for San Francisco is being done in two phases. Total water demand for each BAWSCA agency has been provided to the SFPUC. Each agency is now evaluating how much of that demand will need to be purchased from San Francisco. That information should be available by mid-November. Director Nelson asked about the relationship of the CIP cost and the 25% increase in wholesale water rates. Mr. Jensen said the SFPUC informed staff that the anticipated increase may not be as high 25% because the original rate estimates may have been too low.

Director Gage expressed his concern that the program's budget is out of control and that the schedule is unrealistic. Ms. Leal and Mr. Irons shared those concerns and explained that the SFPUC is working to address the issue. Director Kasperzak asked if the CIP is not on track, what alternatives are available to BAWSCA. Mr. Jensen stated that the Board's concerns will be expressed to the commission and that the board should bring the concerns back to Mayor Newsom. He announced the the SFPUC is holding special meetings on the CIP and Ms. Leal explained that the SFPUC's efforts have risen to a different level with the resources and brainpower it has pulled together. She stated that the Mayor has been supportive in appointing a new commissioner and in pulling together the Planning Department. Ms. Leal cited that the issue of restoring Hetch Hetchy is where SFPUC would need outside help, given that the issue can stand as a hurdle and a distraction from the CIP. Mr. Jensen summarized that there is frustration with the overdue progress of the CIP, and the concurrence of Ms. Leal and Mr. Irons with the concerns expressed by Director Gage. The report from Ms. Leal that the Mayor has been supportive, and the appointment of former Ambassador Sklar to the Commission is an encouraging sign that the current administration will approach the problems in a different way. It was suggested by Director Gage that SFPUC's report to the State, signed by Ms. Leal on

August 26, be withdrawn and revised. Ms. Leal stated that there will be follow-up communications to the State. Board updates on reliability and demands were requested by Director Seidel, and a General Manager's letter was suggested to be distributed by Mr. Jensen in October to keep the board informed. There being no further comments, Director Ruskin thanked the Ms. Leal for her report and proceeded to Item 9-B.

**B. Restore Hetch Hetchy:** Mr. Jensen reported that the issue of restoring the Hetch Hetchy valley is not going to go away, and that it's proponents are skillfull in getting in the media, making presentations to the United Nations and Europe, and in getting organizations to adopt their cause. BAWSCA's position, which appeared in Sacramento Bee, emphasizes the importance of public health and safety and the economic well-being of the service area. Mr. Jensen reported that the Environmental Defense will be releasing a report which is a technical study of the alternatives. The report does not address dismantling and removing the dam and the associated cost and environmental impacts. Mr. Jensen stated that BAWSCA needs to continue to participate in the process by speaking with local legislators such as the office of Senator Diane Feinstein, being in communication with Environmental Defense, and coordinating with SFPUC on the matter. Mr. Jensen stated that he will review the budget to assess the availability of the resources, and report to the board if more will be required.

Director Gage requested for factual information to better defend the position of maintaining Hetch Hetchy that, perhaps, may include numbers and reasons why Don Pedro, as Ms. Leal stated, is not an alternative. Mr. Jensen stated that information will be provided after the report has been released and reviewed, and Ms. Leal indicated that SFPUC will provide as much information as they have available to the BAWSCA board.

8. **Directors' Discussion:** None.
9. **Date, Time and Location of Next Meeting:** The next meeting is scheduled for November 18 at 7:00 p.m. in the Wind Room, Foster City Community Center.
10. **Adjournment:** Director Weed moved adjournment; seconded by Director Parle. Following a show of hands, the meeting was adjourned at 9:30 p.m.

Respectfully submitted,

Arthur R. Jensen, General Manager and Secretary

ARJ/le

Attachments: 1) Attendance Roster

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY  
Board of Directors Meeting  
September 23, 2004**

**Attendance Roster**

**Present:**

Randy Breault	Guadalupe Valley Water District
Roberta Cooper	City of Hayward
John Fannon	Town of Hillsborough
Stan Gage	Los Trancos County Water District
Mike Goff	Stanford University
Marc Hershman	City of Millbrae
Mike Kasperzak	City of Mountain View
Chuck Kinney	City of Menlo Park
Chris Mickelsen	Coastside County Water District
Peter Nelson	California Water Service Company
Rosalie O'Mahony	City of Burlingame
Lee Panza	City of Brisbane
Aldyth Parle	City of Santa Clara
Tom Piccolotti	North Coast County Water District
Chris Reynolds	Skyline County Water District
Tim Risch	City of Sunnyvale
Ira Ruskin	City of Redwood City
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:**

Bern Beecham	City of Palo Alto
Robert Craig	Westborough Water District
Robert Livengood	City of Milpitas
Irene O'Connell	City of San Bruno
Chuck Reed	City of San Jose
David Woods	City of East Palo Alto