

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
March 17, 2005 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

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

Bern Beecham, Chair, called the meeting to order and led the flag salute. Secretary Art Jensen called the roll. Twenty (20) members were present, constituting a quorum. Three (3) directors arrived after roll call. A list of directors present (23) and absent (5) is attached.

2. Comments by the Chair: Chair Beecham reviewed BAWSCA's efforts to be sure the regional water system is rebuilt. The general manager and some of the directors met with Mayor Newsom in June 2004 to get his personal commitment with the program. At its September 2004 meeting, the board expressed how unrealistic the August CIP schedule revisions were. Both Susan Leal, the new SFPUC General Manager and Tony Irons, Deputy General Manager agreed. Since then, the CIP has been reviewed but the cost has increased by \$700 million. SFPUC President, Richard Sklar and Ms. Leal were told BAWSCA's concerns are not about their experience and capabilities and not about the hard-working PUC employees. It is about San Francisco's process and the ability of San Francisco's bureaucracy to complete this vital work. Director Kasperzak asked the crucial question, what are BAWSCA's alternatives? The general manager was directed to explore them. BAWSCA has written to and met with Mr. Sklar and Ms. Leal to express its concerns and to request assurances in writing, but the request for assurances was rejected. Chair Beecham stated that the BAWSCA board has no confidence that San Francisco can get this work done with satisfaction. BAWSCA can hope that San Francisco will, because this would be the best solution. But hope is not a strategy to meet the needs of the people BAWSCA represents. BAWSCA will continue to pursue other alternatives.

3. General Manager's Report:

- a. Chloramine Update:** General Manager, Arthur Jensen reported that the California Conference of Local Health Officers (CCLHO) took a position supporting the use of monochloramine as a disinfectant for the drinking water supply. CCLHO, an organization of local county health officers throughout California presented various recommendations which BAWSCA's Technical Advisory Committee will discuss at its meeting in April.
- b. Progress on Fixing the system and policy direction:** The Capital Improvement Program (CIP) is now being referred to as the Water System Improvement Program (WSIP). BAWSCA's review of the proposed program descriptions released to the commission on February 8 identified concerns in the areas of system performance goals, schedule and

estimated cost, cost allocation and potential rate impacts. Most of the SFPUC's system performance standards appear adequate. However, the goal of up to 20% system-wide cutbacks during drought remains a concern. Program changes include reductions in pipeline and tunnel capacities, deletions and additions of projects, and removal of projects from the WSIP due to changes in the source of funding. Comparison of the program schedule released in February 2005 to the schedule proposed and rejected in September 2004 show the schedule to be at least as aggressive. Overall program cost increased from \$3.6B to \$4.3B. It has not yet been determined how some costs would be allocated to wholesale and San Francisco retail customers. Rate impacts to wholesale water customers are not yet known. Mr. Jensen reported that SFPUC's current schedule provides more opportunities for BAWSCA input. Mr. Sklar has invited a BAWSCA liaison to attend key meetings on the WSIP, and to provide comments during the early processes of policy decision-making.

Art recommended that BAWSCA's response to SFPUC's program revisions include written comments on WSIP documents, comments to State on whatever plan is ultimately adopted, input to the PEIR to support timely completion, and participation in SFPUC quarterly progress reviews.

Art reviewed the SFPUC's current schedule: On March 22, SFPUC will discuss and may initiate a 30-day review period for revised WSIP project descriptions. State submittal of that document may take place in April or May. Scoping workshops for the PEIR may begin in June. The new program management consultant should be at work by June 30th.

Directors asked when wholesale water rate increases would be known and the level of cost and schedule accuracy.

- 4. SFPUC Report:** SFPUC general manager, Susan Leal provided a progress report on SFPUC's milestones. A description of the Water System Improvement Program has been submitted to San Francisco's Planning Commission. SFPUC has met with the director of City Planning and key individuals who will be managing and monitoring the Program Environmental Impact Report (PEIR) process. SFPUC released a Request for Proposals (RFP) for program management and has received responses from five nationally recognized program management construction firms. Progress on moving forward with the program schedule continues with introduction of a rate increase in San Francisco's water retail rates. The rate increase will be presented to the commission at the SFPUC Meeting on March 22nd. At the same meeting, a \$150M budget proposal will also be presented to move construction forward. SFPUC has validated, and re-validated program costs. Different contingencies were built into the cost, and Deputy General Manager Tony Irons will further describe them and address the questions raised by board members. Ms. Leal stated that Mr. Jensen has been invited to attend a workshop that will take place prior to the upcoming SFPUC meeting. The workshop will review the program costs and different cost assumptions. The invitation extends to staff and expert individuals Mr. Jensen would like to include. On the March 22, the commission will also receive a report outlining the scope of the program changes, which will then be the response to AB 1823 legislation. SFPUC will be asking the commission to begin the 30-day

public review period of that report. Ms. Leal hoped to have eradicated the lack of confidence BAWSCA board had on SFPUC by reaching milestones during her 6 months in office.

Director Cooper asked about chloramination, and SFPUC Deputy General Manager for Water Operations, Michael Carlin, responded by saying that the state requires disinfection of the water supply and chloramine is a form of disinfectant that is used in place of chlorine.

Responding to several questions from the board, Ms. Leal stated that SFPUC staff have regular meetings and on-going communication with the Mayor, Board of Supervisors, and key individuals in the City Planning department to increase their involvement in the process. In regards to the 20% system-wide cutback, Ms. Leal explained that the cutbacks are distributed throughout an 8 ½ year drought period. SFPUC is exploring availability of supplies from other sources. Ms. Leal stated that program costs will change if modifications are to be made, such as reducing the level of system-wide cutback during drought.

Deputy General Manager Tony Irons addressed questions about program costs. Mr. Irons stated that upon his arrival at SFPUC, he shared the lack of confidence BAWSCA board had towards the numbers and schedule of the Capital Improvement Program (CIP). Over the past six months, SFPUC staff went through a rigorous and lengthy process to understand the program and its goals to meet water quality standards, deliver purchase requests, deliver water after an earthquake, deliver water during planned maintenance outages, and provide water during droughts. Director O'Mahony asked about the decrease in diameter of the new Irvington Tunnel. Mr. Irons explained that the previously estimated diameter was capricious. The revised diameter in the proposed WSIP is directly tied into the goals of delivering required amounts of water within 24hours after an earthquake, during planned outages, and during drought periods.

Irons responded to questions about project cost estimates. He said project development is categorized in five phases: early planning, alternative analysis, conceptual engineering, mid-point of design, and at prior to construction. Contingencies applied to projects depend on the phase. Mr. Irons believes that the methodology behind the costs and schedules is a very thorough and responsible approach. Documentation of the methodology used is in progress.

Director Panza asked whether project standards and specifications might be affected by the Program EIR process. Mr. Irons stated that in many projects, better alternatives may be revealed for achieving the same goal. The SFPUC is proceeding with design concurrent with the environmental review process for some projects.

5. Public Comments:

Eugene Alt, resident of South San Francisco spoke of his concerns with chloramines and its health and financial impacts on him. He asked for a safer, non-toxic water treatment. Wynn Grcich, resident of Fremont, spoke against the use of chloramines, recycled water, and the water rate increase. She said recycled water was blended in the San Francisco water supply.

Michelle Porazzo, resident of Millbrae stated that Winn Parker voiced concerns about the use of chloramines in drinking water. She stated that alternate technology such as ultraviolet light, ozonation and reverse osmosis to decontaminate the water supply is more cost-effective over the build out of the Hetch Hetchy system.

Francisco Da Costa, resident of San Francisco spoke of the need for conservation, environmental assessment and engineering expertise in the capital improvement program.

6. Reports:

In reference to a public comment, Mr. Jensen clarified that there is no recycled water blended in the San Francisco water supply.

- a. **BAWSCA's alternatives if SFPUC does not make acceptable progress:** Art Jensen spoke about San Francisco's difficulties with rebuilding the Hetch Hetchy system, and provided some observations from his experience.

He said the City and County of San Francisco is responsible for fixing up the system, not the SFPUC. The PUC cannot do it alone. The responsibility lies in the mayor's office. He added it is obvious that San Francisco does not consider BAWSCA and its member agencies as customers. If they did, they would be much more responsive to BAWSCA's requests.

San Francisco's water department is an unregulated utility, and history shows that such monopolies are often unresponsive, and at times, require legislative action from a higher jurisdiction to protect the public.

Nonetheless, the best and fastest way to get the water system rebuilt would be for San Francisco to do it. Mr. Jensen stated that BAWSCA and its member agencies want San Francisco to succeed, and want to be assured that the interests of the people it represents are protected. Otherwise, BAWSCA and constituents of its member agencies are exposed to unacceptable health, safety, and economic risks.

Since San Francisco's Mayor, so far, has declined to take the responsibility and provide the assurances that were requested, BAWSCA is pursuing a variety of alternatives to protect its member agencies' constituents, as the board has directed.

The first step was a letter to Commission President Sklar and General Manager Leal. Mr. Jensen hopes San Francisco will work with BAWSCA to find appropriate language for the assurances requested.

Next, Chair Beecham plans to request another meeting with Mayor Newsom to describe why BAWSCA has no confidence with the present situation and ask the Mayor to take charge of this rebuilding project. Director Reed has suggested that San Jose Mayor Gonzales' responsibility for his city's multi-billion dollar, multi-year capital budget might provide a useful prototype for San Francisco.

A third, immediate alternative is Assembly Member Ruskin's effort to arrange a meeting for chair Beecham, President Sklar, Susan Leal and Mr. Jensen to determine ways BAWSCA might get the assurances and commitments that are requested from San Francisco. Additionally, Assembly Member Ruskin has a bill introduced in the legislature, which could be a vehicle for further state action, if necessary, to get this job done properly.

There are several other options, which are in the very early stages of consideration and Mr. Jensen said he would not describe them.

Mr. Jensen stated that there are a number of promising alternatives if San Francisco can't get this job done. He would like to work out BAWSCA's requests with San Francisco and he will continue to do so. BAWSCA's responsibility is to protect the people who use two-thirds of San Francisco's water, pay two-thirds of the cost, and are dependent on its reliability.

Director Stan Gage commented that he does not see the WSIP being completed on time and on budget. Significant cost increases can be expected. BAWSCA needs to push the system hard and demand for the institutional authority to make the program happen. Mr. Gage urged BAWSCA directors to no longer be quiet. Director Wykoff concurred with Director Gage. A consistent and persistent approach in presenting the board's concerns was suggested by Director Cooper. Directors Weed and Reed suggested that developing alternatives is imperative.

b. Results to be achieved in FY 2005-06 and proposed budget: Mr. Jensen presented the list of results to be achieved in FY 2005-06, and the activities not included in the budget. The preliminary budget estimate is \$2.024 to \$2.119, a 10% to 15% increase from FY 2004-05. Mr. Jensen presented budget and the key decision items for board consideration:

- A list of results to be achieved
- 5% contingency level
- Funding for a technical representative to attend and provide input on behalf of BAWSCA in key SFPUC staff and management policy meetings
- Funding to support increased water resources activities, and
- Options for funding the budget.

Funding option #1 would use all of BAWUA's remaining reserve and increase agency payments by 13% in each of the next two years. Funding option #2 would use half of BAWUA's remaining reserve, increase agency payments by 20% for one year with no increase the second year. The final budget proposal for board adoption in May will be presented to the Board Policy Committee in April.

Director Cooper asked about staff salary increases. Mr. Jensen stated that 2.4% was included for staff positions. He stated the budget includes a 5% allowance for the board

to use if it chose to increase the general manager's salary. Director Cooper stated that city employees are taking a 2-year salary freeze and that the proposed staff salary increases and addition of staff is unreasonable.

Directors Reed and Risch expressed their support for a technical representative who will be involved with SFPUC policy meetings. Directors Wykoff and O'Mahony stated they were aware of their cities' financial status and recognized the importance of BAWSCA's role. They said they would evaluate a salary raise for the general manager accordingly. Additionally, Director O'Mahony stated her support for the budget funding option #1.

Directors Gage and Nelson asked for more information on the proposed water resources position. Director Weed stated that the PEIR should be included in the duties for the technical representative with SFPUC, whether water conservation is cost reimbursable should be clarified, and how functions and roles fit into the negotiation of the Master Contract. Chair Beecham stated that BAWSCA is the only organization that has an effective oversight over SFPUC's actions on the WSIP and that Palo Alto is no exception to the issues raised by Director Cooper. He said a wise investment in BAWSCA is needed to ensure that SFPUC's \$3B spending on behalf of the suburban customers for the WSIP is done appropriately.

7. Consent Calendar:

M/S/C (Cooper/Tissier, Claire abstained) that the Minutes of the January 20, 2005 BAWSCA Board meeting be approved; the Monthly Budget Status Report and Quarterly Investment Report be received and filed.

8. Directors' Discussion: Comments, Questions and Agenda Requests: None

9. Adjournment to next meeting: There being no further comments, the meeting was adjourned at 9:45pm.

10. Date, Time and Location of Next Meeting: The next meeting is scheduled for May 19, 2005 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 17, 2005**

Attendance Roster

Present:

Bern Beecham	City of Palo Alto
Randy Breault	Guadalupe Valley Water District
Roberta Cooper	City of Hayward
Richard Claire	City of Redwood City
Robert Craig	Westborough Water District
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
Patrick Kolstad	City of Santa Clara
Robert Livengood	City of Milpitas
Chris Mickelsen	Coastside County Water District
Peter Nelson	California Water Service Company
Rosalie O'Mahony	City of Burlingame
Lee Panza	City of Brisbane
Chuck Reed	City of San Jose
Chris Reynolds	Skyline County Water District
Tim Risch	City of Sunnyvale
Louis Vella	Mid-Peninsula Water District
John Weed	Alameda County Water District
Rick Wykoff	City of Foster City

Absent:

Irene O'Connell	City of San Bruno
Tom Piccolotti	North Coast County Water District
Dan Seidel	Purissima Hills Water District
Adrienne Tissier	City of Daly City
David Woods	City of East Palo Alto