

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD OF DIRECTORS MEETING
January 19, 2006 – 7 p.m.
Foster City Community Building, Foster City CA**

MINUTES

1. Call to Order/Pledge of Allegiance/Roll Call – 7:00 p.m.

BAWSCA Chair, Bern Beecham, called the meeting to order and led the flag salute. Secretary Art Jensen called the roll. Twenty-Two (22) members were present, constituting a quorum. A list of directors present (22) and absent (6) is attached.

- 2. Special Order of Business – Election of Officers:** Director O’Mahony presided over this portion of the meeting and called for nominations for the position of Chairman of the BAWSCA board. Director Randy Breault nominated Bern Beecham for chair, seconded by Director O’Connell. There being no other nominations, nominations were closed by consensus and Director O’Mahony announced Chair Beecham re-elected as chair for calendar year 2006 by acclamation.

M/S/C (Kasperzak/Claire; Unanimous) that Bern Beecham be elected Chair of the Bay Area Water Supply and Conservation Agency for calendar year 2006 to commence at the adjournment of the meeting at which he was elected.

Chair Beecham presided over the balance of the meeting and called nominations for the Vice-Chair. Director Risch nominated Mike Kasperzak to be re-elected as Vice-Chair of the board, seconded by Director O’Mahony. There being no other nominations, nominations were closed by consensus and Director Beecham announced Director Kasperzak re-elected as Vice-Chair by acclamation.

M/S/C (O’Mahony/Risch; Unanimous) that Mike Kasperzak be elected Vice-Chair of the Bay Area Water Supply and Conservation Agency for calendar year 2006 to commence at adjournment of the meeting at which he was elected.

- 3. Comments by the Chair:** Chair Beecham thanked the board for his re-election and endorsed a 2-year term for continuity and development of the agency, but also stated his second term would be his final term. He said BAWSCA has a challenging agenda for 2006. The goal remains a reliable supply of high quality water at a fair price for the 1.7 million residents, businesses and community organizations in the service area of BAWSCA member agencies. The agency’s success in working with and supporting San Francisco to adopt a Water System Improvement Program brings the tasks of evaluating cost implications, considering alternatives that may be available to the BAWSCA member agencies, as well as the increased cost to the citizens of our agencies.

On the agenda tonight are water conservation issues to which BAWSCA has demonstrated leadership. Work on negotiations with San Francisco on a new master water sales contract started in 2005, and will have accelerated efforts in the coming year.

4. **Board Policy Committee Report:** Committee Chair Rosalie O'Mahony reported that at its meeting on December 15, 2005, the committee discussed BAWSCA's support of San Francisco Public Utilities Commission's (SFPUC) adoption and implementation of the WSIP with the proviso that BAWSCA will monitor projects, scopes and the ability to achieve the existing schedule, the staffing, and the oversight of the projects. The committee also discussed the continued concern about the economic impact of water shortages, the SFPUC's financial plan, BAWSCA's midyear budget review, upcoming water conservation programs, and internal processes, some of which will be presented to the board for discussion and consideration tonight.

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

Mr. Jensen introduced Christina Payne, as BAWSCA's new office assistant.

- a. **Chloramine:** Mr. Jensen provided an update on the responses received to BAWSCA's inquiry on human health studies on the impact of chloramine as a drinking water disinfectant. As previously reported, the American Water Works Association Research Foundation provided book on studies of disinfection byproducts conducted in 1999 or earlier. A letter from California Department of Health Services to San Francisco is in draft form and is being circulated internally for final review. BAWSCA will follow up with the Environmental Protection Agency to check on the status of its response.
- b. **Water System Improvement Program:** Mr. Jensen reported that SFPUC's revised Water System Improvement Program (WSIP) adopted by the commission on November 29th is expected to be submitted in mid-January to the State. The cost of the revised WSIP shows a 20% increase, from \$3.6 billion to \$4.3 billion, compared to the original program adopted in May 2002. Costs of in-city projects decreased 34%, and costs of regional projects increased 43%. San Francisco was under a self-imposed pressure as well as pressure from BAWSCA to rigorously review the project cost estimates to ensure that they were sound and that appropriate cost estimating factors were used. Financing costs decreased 17% and there is a 5% project cost decrease for the San Joaquin Pipeline Project as a result of changes to the scope. Concerns remain on the scopes of certain projects and the implementation of the program. The schedule is aggressive and Art stated that the last 45 months of the program require an average project completion rate of \$75 M per month, and \$200 M per month during the last 5 months. The historical maximum project completion rate is \$80M per year. A tremendous increase management capability will be required to manage a change in productivity of that magnitude. In order to achieve the schedule, the SFPUC will need to make sure it has an appropriate organization in place, with qualified people, sound leadership, clear assignment of accountability and responsibility, and unfiltered authority to make decisions. BAWSCA will have a monitoring process that assesses current status plus the likelihood that projects will remain on schedule and budget.

The SFPUC's quarterly progress report contains the information we hoped it would have. BAWSCA will routinely assess the value of the report's information, identify key

milestones, and track the implementation of Parsons' recommendations for management changes, or superior alternatives.

BAWSCA continues its work with the SFPUC on the preparation of the PEIR, analyses of water supply alternatives, and evaluating potential cost consequences to water customers. BAWSCA will examine price elasticity and the potential significance to BAWSCA members and their customers. Art presented a graph of current residential monthly water bills based on 14 units of water. The graph was used to indicate what impact the WSIP would have on suburban customers' water rates.

c. Economic Impacts of Water Supply Reduction during Drought

The SFPUC's study confirmed that water supply reductions during a drought can have significant cost impacts to industries. The study showed that cost impacts significantly exceeded the cost of providing additional water supply reliability. The report concluded that negative cost impacts might also be avoided by changes in policies, which Mr. Jensen explained means changing the behavior of water users so that shortages occur, but the economic impacts are not as extensive during drought. SFPUC indicated at its December commission meeting that they will take the study further. Mr. Jensen reported the Bay Area Economic Forum's (BAEF) interest in doing a rigorous analysis would be valuable. BAWSCA will pursue working collaboratively with the SFPUC. Director O'Mahony commented on the need for the study because the economic community would seem to be the one that will suffer the most from a 20% cutback. Director Gage noted the environmental impacts and economic impacts on individuals and public facilities could be as important as impacts to industries.

d. SFPUC Financial Plan:

BAWSCA's Financial Advisor, David Brodsky of Kelling Northcross and Nobriga (KNN) reviewed the section of SFPUC's financial plan on water revenue bonds. Mr. Brodsky reported that it is a well structured, very large, conventional bond program. Mr. Brodsky pointed out that the 20% financing cost reduction does not result in the price of water going down, and should not be focused on. What is relevant is the cost of the projects themselves. Another issue to focus on is how under the current contract, the cost of capital improvements is spread out over a long period of time. While it is favorable to the suburban customers, the costs to customers inside the City of San Francisco will be tremendously high in 2019. It would not be in BAWSCA member agencies' best interest to have an unhealthy business partner in San Francisco.

Director Seidel commented that an additional \$230 billion could be incurred each year if all projects were delayed. He urged the SFPUC to expedite the initiation of the construction so that full value can be received for the authorized bonds.

e. Water Supply Alternatives

The San Francisco Board of Supervisors directed SFPUC to look at water supply alternatives for meeting future water needs that does not access supply from the Tuolumne River, other rivers, or any other sources that are not naturally replenished. The SFPUC is examining conservation, water reclamation and undeveloped ground water projects and will

provide a report to the San Francisco Planning Commission in March for use in the PEIR. The Planning Commission will review the alternatives and evaluate their environmental impacts. Art stated that potential sources being examined include conservation beyond the levels to which BAWSCA member agencies have already committed. The information is only conceptual for some of the possible resources, which makes it difficult to evaluate costs and impacts rigorously. The alternatives outside San Francisco are not under San Francisco's jurisdiction to implement or manage. The jurisdiction in which the supply occurs may not correspond with the location of the need, and introduces questions about who benefits, who pays, and who implements. Art stated BAWSCA will continue to work with BAWSCA agency staff and managers in evaluating how these measures could contribute to meeting future water supply needs.

Director Weed asked about the evaluation of desalination. Mr. Jensen reported that the WSIP includes \$10 million for further examination of regional desalination.

6. SFPUC Report:

SFPUC General Manager, Susan Leal noted that the SFPUC's financial advisor will review the report by KNN, and any comments will be reported to the commission and forwarded to Art. Ms. Leal expressed her hope to have positive comments from Moody's and Standard & Poor's on SFPUC's debt issuance.

Ms. Leal was pleased to hear that BAEF will look at the economic impacts of water supply reduction during drought. SFPUC's current report confirms some negative impact primarily in the areas of manufacturing, and heavily in the hospitality area. It is something that would impact both San Francisco and the suburban customers. The SFPUC will ask PFM to look at how policies can be developed to mitigate the use of conservation so it has the least economic impact. Ms. Leal hopes to get the analysis started soon, and she looks forward to working with BAEF.

Deputy General Manager Tony Irons reported that SFPUC will be publishing the first quarterly progress report which will be a very thorough and comprehensive status report of all the projects. Mr. Irons stated that he will go over the structure and format of the content with Art Jensen.

The SFPUC is going before the Board of Supervisors for a supplemental appropriations of fund for two reasons. Additional money will be requested to move the program forward. A more over-riding reason is that a number of projects are ahead of schedule and additional money is needed to maintain progress. A Request for Proposal (RFP) has been released for design services for three major projects - the Alameda Siphons, Bay Division Pipeline and Irvington Tunnel. The RFP's have a cost basis to obtain the best price from qualified firms, and will require responses to include a thorough work plan in their proposals. The detailed workplan and cost allows the contract to be issued immediately, and cut down the negotiation time that can take months. A large response is anticipated.

Mr. Irons characterized the WSIP as a stand alone program that will be uninfected with the bureaucracy that causes public projects to be so difficult to administer. There will be a dedicated program director whose only job is to make projects move forward. As recommended by Parsons CH2M Hill, projects have been divided into 6 manageable groups of

regional projects, each managed by a Senior Regional Project Manager who will be accountable for the projects in their region. The Senior Regional Project Managers will report to the Program Director, who will report to Mr. Irons

A Director of Environmental Review and Regulatory Compliance has been hired and will be on board February 20th to lead the environmental work that is central to meeting the schedule.

The PEIR is moving forward, and analysis on water supply options will be finalized.

The document required by AB 1823 will be released to the State on January 19th. Mr. Irons said that document will define the risks to the population relative to the delivery of water in the current program as compared to the program adopted in 2002.

Director Seidel asked for the program value of the three projects that are on design phase. Mr. Irons responded with a figure of approximately \$1.5 million for construction cost and \$12 million for design fees.

Director O'Mahony inquired about staff capabilities in implementing the program. Mr. Irons indicated the SFPUC has not done a study of its internal staff and their relative capabilities. Resumes or bios for each of the twelve major players in the implementation of the program can be provided to BAWSCA.

7. Public Comments:

Lillian Lieberman, Secretary of the Citizens Concerned About Chloramines (CCAC) urged BAWSCA to continue seeking research studies and consider having studies to investigate the effects of chloramines on human health.

Linda Corwin, Vice-President CCAC said she thought water main breaks in the East Bay and skin reactions were caused by water disinfected with chloramines.

Marilyn Raubitschek, a San Mateo resident and member of the CCAC described a skin reaction she experienced following the addition of chloramine in the water, and her experiment with using distilled water versus tap water. She requested in-depth human study be made or that alternative ways be used to purify the water.

Wynn Grcich, a Fremont resident, spoke against the use of chemical disinfectants in drinking water and stated that ozonation kills parasites in the water.

8. Consent Calendar

M/S/C (Tissier/Kasperzak; Unanimous) that the Minutes of the November 17, 2005 BAWSCA Board meeting be approved; and the Monthly Budget Status Report be received and filed.

9. Action Calendar:

a. Mid-Year Budget Review:

Mr. Jensen presented work anticipated during the remainder of the fiscal year 2005-06. Three areas that would require additional resources include the continued monitoring of the WSIP progress by Dr. William Ibbs, initial professional water system modeling

investigations, and auditing services to evaluate the current and prospective master contract auditing considerations.

M/S/C (O’Mahony/O’Connell; Unanimous) That the board authorize the general manager to allocate \$75,000 from the contingency budget as follows:

- a) \$15,000 for Dr. Ibbs continued monitoring of WSIP schedules and budgets, and modify the not-to-exceed contract limit to a total of \$60,000,**
- b) \$30,000 for initial professional water system modeling investigations, and**
- c) \$30,000 for evaluation of Master Contract auditing issues and procedures.**

b. WaterWise Gardening CD-Rom

Ms. Sandkulla presented the Waterwise Gardening CD-ROM, an educational program opportunity that demonstrates and promotes efficient landscape water use targeted at both residential water customers and landscape professionals. The CD-ROM will be used as an instructional aid on how to garden and landscape in a water-conserving manner. It is a user-friendly database of over 500 plants and will provide ideas and information specific to the user’s geographic location, sun exposure, soil type and other factors. The program is similar to what Santa Clara Valley Water District has in place. A notable difference with BAWSCA’s CD is that it will include the northern peninsula and the coastal areas.

BAWSCA would pay a one-time development fee of \$15,000. GardenSoft owns the program and BAWSCA owns exclusive license. Estimated cost per CD is \$5. Additional considerations for the CD’s distribution include working with Sunset Magazine and retail outlets for landscaping. Distribution through libraries were suggested by Director O’Connell.

BAWSCA’s Water Resources Committee supports this program as a component of an effective developing landscape education program, and the FY 2005-06 budget includes funds for this purpose.

Chair Beecham stated that the Board Policy Committee discussed licensing issues and web considerations.

M/S/C (O’Mahony/O’Connell; Unanimous) That the Board authorize the General Manager to:

- 1. Execute a contract with GardenSoft for:**
 - a. Development of a Waterwise Gardening CD-Rom tailored to the BAWSCA area for an amount not to exceed \$15,000; and**
 - b. Purchase of the Waterwise Gardening CD-Roms for resale-at-cost to interested BAWSCA agencies.**
 - c. Future updates of the software, if requested by BAWSCA.**
- 2. Offer the participation in the above mentioned program to BAWSCA member agencies.**

c. Pilot Cooling Tower Conductivity Rebate Program

BAWSCA is working with Santa Clara Valley Water District (SCVWD) and the SFPUC to begin a pilot cooling tower conductivity rebate program at a regional level to investigate potential water savings with cooling towers. A device can be installed in cooling towers to measure water flow and chemistry. The device automatically adjusts the water flow to reduce the amount of water used. This is a pilot program that would offer an incentive rebate to the purchaser of the device. Baseline measurements before and after the installation of the device will be made using a meter placed in the inlet and outlet of the cooling tower. Similar studies have been done in Southern California, and this program offers an opportunity to find out what the potential savings and benefits can be found in the Bay Area with its climate and water chemistry. SCVWD would administer the program, and the relationship and responsibilities between BAWSCA and SCVWD will be defined in a Memorandum of Understanding (MOU). The program will be funded by agencies choosing to participate.

The Board Policy Committee was presented with this item at its meeting on February 15th, and recommends board approval. However, no action is being requested until details in the MOU are further developed. The item will be moved to the board meeting of March 16th.

d. Approval for Additional Signature Authority for BAWSCA and BAWUA Bank Accounts

The authority for the Senior Administrative Analyst to sign checks in the absence of the general manager offers efficiency in the accounting workload. It was recommended that the board, by roll call vote, rescind the existing resolution and adopt a new resolution which adds the authority for the Senior Administrative Analyst to sign checks when needed.

M/S/C (Tissier/O’Connell; 22 ayes, 0 noes) to a) rescind Resolution No. 2004-02 that specifies what individuals are authorized to sign checks; and b) adopt a replacement Resolution No 2006-01 that adds the authority for the BAWSCA Senior Administrative Analyst to sign checks in the absence of the general manager, and requires that for checks needing two signatures, at least one shall be that of a director.

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

Director Kasperzak noted that the location listed in the meeting schedule for the last three meetings of the Board Policy Committee in the Wind Room instead of the 1st floor Conference room of the BAWSCA office building, where the meeting normally commences.

Mr. Jensen stated that the scheduled board meeting on May 18th will be moved to May 25th.

11. Adjournment to the San Francisco Bay Area Regional Water System Financing Authority. The meeting was adjourned at 8:50pm

12. Date, Time and Location of Next Meeting: The next meeting is scheduled for March 16, 2006 at 7:00 p.m. in the Wind Room, Foster City Community Center.

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
January 19, 2005**

Attendance Roster

Present:

Bern Beecham	City of Palo Alto
Randy Breault	Guadalupe Valley Water District
Richard Claire	City of Redwood City
Robert Craig	Westborough Water District
John Fannon	Town of Hillsborough
Kelly Fergusson	City of Menlo Park
Stan Gage	Los Trancos County Water District
Mike Goff	Stanford University
Marc Hershman	City of Millbrae
Mike Kasperzak	City of Mountain View
Patrick Kolstad	City of Santa Clara
Robert Livengood	City of Milpitas
Irene O'Connell	City of San Bruno
Rosalie O'Mahony	City of Burlingame
Chris Mickelsen	Coastside County Water District
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

Absent:

Roberta Cooper	City of Hayward
Rob Guzzetta	California Water Service Company
Lee Panza	City of Brisbane
Chuck Reed	City of San Jose
David Woods	City of East Palo Alto
Rick Wykoff	City of Foster City