



Statement by Arthur Jensen, General Manager
Bay Area Water Supply and Conservation Agency (BAWSCA)
About San Francisco's Water System Improvement Program
October 11, 2005

The study conducted by Parsons Water and Infrastructure, Inc., a respected consulting firm hired by San Francisco to validate its Water System Improvement Program (WSIP), raises serious doubts about whether this program has a realistic schedule and budget to rebuild the Hetch Hetchy system and protect the health, safety and economic well being of 2.4 million water users.

Dr. William Ibbs, a distinguished University of California, Berkeley engineering professor and consultant for BAWSCA, participated in many meetings with Parsons and San Francisco as an observer during the study and shares these doubts. A statement from Dr. Ibbs is attached.

BAWSCA's directors and staff want to help San Francisco fix the system, since two-thirds of the Hetch Hetchy water users live in BAWSCA's territory, and they will pay two thirds of the cost to fix the water system. These comments about the Parsons study and its troubling conclusions, therefore, are offered with a constructive and collaborative purpose.

There are encouraging signs.

- Project alternatives have been found to provide a reliable water supply at reduced cost and environmental impacts. We would like to see the hydraulic analyses that demonstrate all of the service goals can be met, including seasonal replenishment of the local reservoirs.
- The change in the Bay Division pipeline project to avoid replacing all of the PCCP appears to be a sound alternative.
- More realistic material costs and cost contingencies are used.
- The Program Environmental Impact Report (PEIR) and six construction projects have been launched and designing others has begun. But the vast majority of the work on this huge, challenging program remains to be done.

However, there are also concerns that must be addressed. The Parsons 235-page report plus attachments contains many warning signals about San Francisco's ability to get the job on time and on budget. For example:

- The SFPUC's staff is "subject to insufficient resources, absence of certain programmatic support functions, lengthy required procedures, and, in some cases, a lack of needed tools and processes" both within the SFPUC and in other city departments "that could prevent delivery of this large and aggressive program."

- The Parsons study estimates that the WSIP will cost between \$5.2 billion and \$4.3 billion. In 2003, the SFPUC estimated the WSIP would cost \$3.6 billion. Earlier this year, it estimated the cost would be \$4.3 billion, a 20% increase. Now, a few months later, we have a cost range from Parsons, the high end of which is \$900 million, or 20 percent, higher than the cost estimate announced earlier this year. Even with the recommended sizeable reduction in the budget for two projects, the Parsons report suggests the \$4.3 billion figure may be unrealistic.
- Since the PEIR “creates the critical path on most of the large projects” and since the City’s Planning Department, not the SFPUC, has “ownership” of the multi-year effort, the PEIR is “a huge source of risk for the program.” This is why BAWSCA asked Mayor Newsom to exercise leadership and accept responsibility for the City’s resources to develop and execute the program. It is encouraging to see that the SFPUC is already addressing this issue.
- Also, there is no provision in the schedule and the budget for almost-certain legal challenges during the anticipated, multi-year environmental-review process.
- Perhaps most troubling is that Parsons said its report “does not include the depth of analysis necessary to perform a thorough validation” of the WSIP.

All of these concerns, and many others which Parsons has sprinkled throughout the report, strongly indicate that the SFPUC’s budget is unrealistic and the construction schedule unachievable.

If costs do exceed the budget and construction does fall behind the schedule, there will be a sharp loss of public confidence, finger-pointing to place the blame, demands for state action to protect water rate payers and tax payers, and increased risk to health, safety and economic well being. BAWSCA asks that all of the issues raised by Parsons be addressed promptly.

The SFPUC is trying to do a good job with this mammoth program, and the Parsons report is a valuable reality check. However, a series of fundamental issues remains; including the PEIR problem, San Francisco’s organizational deficiencies, and the apparent unrealistic budget and unachievable schedule.

We expect Mayor Newsom’s May 18th commitment for adoption of a revised WSIP will be delivered, as promised, in November. The Commission’s adoption of the WSIP in November could be good for water customers, but this hinges on whether a plan to address all of the important issues raised by Parsons is prepared between now and then. Such action could lead to a credible and achievable WSIP and build public confidence.

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