

JUNE 11, 2008

1. **CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE:** President Seidel called the regular meeting to order at 6:30 p.m. in the District office.

Directors Present: President Daniel F. Seidel, Vice President Ernest Solomon, and Directors Robert N. Anderson, A. Richard Jones, and Gary C. Waldeck.

Staff Present: Patrick D. Walter, General Manager; Patrick T. Miyaki, Attorney; Joubin Pakpour, Engineer; and Lucy E. Xavier, District Secretary. Elizabeth Drayer, the District's engineering consultant on emergency preparedness, was also present.

The Pledge of Allegiance was recited.

2. **COMMENTS FROM THE PUBLIC:** No public was present.

3. **CONSENT CALENDAR:** It was moved by Director Anderson, seconded by Director Solomon, that Items B and C of the consent calendar be approved. Motion carried unanimously—voice vote.

B. Approval and Ratification of May 2008 Disbursements—\$379,479.79

C. Financial Reports: Income and Capital Improvement Plan
Revenues and Expenditures
Balance Sheet
Consumption and Billing
Investments

Item A, Approval of Minutes, was removed from the Consent Calendar due to Director Solomon's request for clarification. It was then moved by Director Solomon, seconded by Director Anderson, that the minutes of the regular meeting of May 14, 2008, be approved. Motion carried unanimously—voice vote.

4. **EMERGENCY PREPAREDNESS:** Director Seidel noted that Ms. Drayer had been assisting the District with emergency preparedness for the last few years. She had been asked to attend this meeting to discuss emergency training for Staff and field personnel and to work towards the implementation of a training drill. Director Seidel noted that the District should aim for an emergency drill that would be a learning experience, as well as an exchange of information on those items that the District does and does not do well.

Ms. Drayer gave the Board a recap of the work she has done with the District, including the preparation of the District's Emergency Operations Plan. She also reviewed the tabletop exercises that District personnel had performed. She said that the current exercise she had prepared focused on a major earthquake, which would be the most likely emergency event in the Bay Area. She discussed what might happen in the first few hours of an emergency—

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how long would it take for District personnel to make it in; how customer calls would be taken and logged; how calls would be prioritized; how personnel would work to get the water system stabilized; and how Board members might be able to assist Staff.

Director Seidel said that the two most important issues in an emergency are 1) to maintain the integrity of the system; and 2) to conserve any water the District may have.

He said that it might be useful to observe a drill that another water district or Fire District might perform and Director Solomon said that observing an emergency drill by the Town might be a good idea, as well.

The Manager said that the most difficult part of an emergency would be prioritization. The District might get dozens of customer calls regarding their own service breaks, but, in his opinion, maintaining the integrity of the system by repairing main breaks would take priority, then crews would be able to respond to individual calls. Ms. Drayer said that this is all part of the process of a drill—determining prioritization. The Manager also noted that the SCADA would be running because it is backed-up by battery.

Director Solomon said that the Directors would likely be the first responders for the District since they all live in the District. With some training, Directors could disconnect call-forwarding on the phone, take messages from the answering service, and then start answering calls coming in from customers and/or other agencies while waiting for District crews to come in. Director Waldeck noted that phone systems tend to overload in an emergency and the Board discussed this issue and alternate methods that could be used to notify customers to stop using water.

Director Anderson noted that it could be very productive to ask someone from the Fire District to attend a Board meeting to discuss emergency preparedness and what they would expect from the Water District.

After discussion, the Board directed the Manager to request that a representative from the Fire District attend the July Board meeting and that the Safety Officer for the Town and the Sheriff can then be asked to attend subsequent meetings. The Manager said he would talk to Ms. Drayer about scheduling a tabletop exercise with District Staff as soon as possible.

5. **ENGINEER'S REPORT:**

A. Deer Creek Pump Station Improvement Project The Engineer reviewed his memo of June 4, noting that the contractor, JMB Construction, had completed over half of the work but that only minor work had been done since June 4 due to the foreman's emergency medical condition. However, work had continued with the electrical connection of the generator. The Engineer noted that a meeting with the structural engineer had been scheduled to discuss the rejection of the structural beams. He said that the last remaining large item of work is the installation of the high pressure piping (which should arrive on site in late June) which will require the shutdown of the pump station. The Engineer noted that one change order had been submitted and also reviewed pictures of the project.

B. Emergency Intertie Project (with City of Palo Alto and California Water Service Company) The Engineer noted that, at the special Board meeting on May 22, the project had been awarded to Lewis & Tibbitts, Inc. and that the contract, bonds, and insurance certificates have been reviewed and approved by the Attorney. He said that the contract was ready for the President's signature and that a pre-construction meeting had been scheduled for the next day.

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C. PAX Mixer for Neary Tank The Attorney reported that Staff was still working with PAX on some of the terms and conditions of the contract and a conference call had been held with the PAX attorney to discuss these issues. Several key provisions remained unresolved, including the limitation of liability provision. PAX will be considering the District's position internally with its attorneys and the District is now waiting for a response from PAX.

The Manager said that Staff was looking at an alternate product, Solar Bee, in the event that things do not work out with PAX.

D. District's Plans and Specifications The Engineer said that the District's Standard Plans and Specifications had been updated.

6. WATER SUPPLY ALTERNATIVES:

A. Potential Purchase of Additional Water from the Santa Clara Valley Water District (SCVWD) The Engineer reported on a meeting held on May 29 with Amy Fowler in the Water Supply Management Division of the SCVWD and a staff person who would be dealing with the financial issues of the contract for the District's potential purchase of water.

The Engineer noted that he and the Manager had asked for an approximate cost of fees associated with a contract to purchase water in order to make a decision as to whether it would be a feasible project for the District to undertake. The Manager noted that two buy-in fees were proposed—one which is designed to put the District on an equal footing with existing agencies that purchase water from the SCVWD, and the other is an off-set fee for obtaining replacement water which the SCVWD can use towards another project, such as recycled water. The Engineer noted that another meeting would be held on July 17 to discuss this matter further.

B. Quarry Hills Lake The Engineer reported that the consultant had taken samples from the lake on May 29. He said he would have a preliminary analysis report for the next meeting.

7. **DRAFT BUDGET FOR FISCAL YEAR 2008-2009:** The Manager reviewed two draft budgets for the upcoming fiscal year, as requested at the last meeting—one with 90% of revenues and the other with 100% of revenues. After discussion, it was moved by Director Anderson, seconded by Director Jones, that the operations budget with 100% of revenues and the capital budget be adopted. Director Jones noted that he seconded the motion with one caveat—that he thinks that the District is under-budgeted for capital improvements. Motion carried unanimously—voice vote.

The Engineer noted that the District spends one-third of its budget on capital improvements which is much higher than many other agencies.

8. **DELEGATION OF AUTHORITY TO SIGN CHECKS FOR DISBURSEMENTS:** Director Seidel noted that Director Anderson had brought up the issue regarding the necessity for Board members to co-sign disbursements. Director Seidel said he had called the District's previous auditor, David Thomas, who responded by email with five reasons why the District should continue having Board members sign disbursements.

The Attorney noted that there are two issues involved with disbursements: 1) Board approval of disbursements; and 2) check signing by Directors. From a legal perspective, the Attorney said that the Board must approve the disbursements, but did not find a legal requirement that directors must sign checks.

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The Attorney noted, however, that the District, by three resolutions—in 1975, 1982, and 1987—had adopted policies stating that two Directors, or one Director and the Manager or District Secretary, must sign checks. The resolutions did not go into further detail regarding rotation of Directors signing. The Attorney said that the Board may change its policy or keep the same policy but should describe the signers by titles only and not by names, as in prior resolutions.

Director Anderson asked for the Manager's opinion. The Manager answered that he agreed with the previous auditor that the Directors do have a fiduciary responsibility but he had not yet asked the new auditor's opinion. He said he would prefer oversight when issuing checks to further protect the District.

Director Seidel noted that it is important for Directors to see what checks are being issued and supports the current policy. Director Solomon concurred and said it is an important function as elected officials to participate in the fiduciary oversight of the District. Director Waldeck also agreed that it is an important duty of the Directors to sign checks and see what is being issued and to ask questions, if it is necessary to do so.

Director Jones said that check signing is a clerical duty and not a Director level duty. He said he has no objection to reviewing and approving the expenditures but sees no reason to sign checks. Director Anderson said that he was conflicted about this issue.

After further discussion, it was moved by Director Seidel, seconded by Director Solomon, to reaffirm the present policy and make modifications to delete the names of specific Board members and Staff. Motion carried—voice vote.

Ayes:	Directors Seidel, Solomon, and Waldeck
Noes:	None
Absent:	None
Abstain:	Directors Anderson and Jones

Director Anderson abstained because he was conflicted about the issue; Director Jones abstained because he does not agree with the current policy.

9. **CONSERVATION MESSAGE ERROR ON APRIL BILLING STATEMENTS**: Director Seidel said that this item had been discussed last month at which time Director Jones had requested a closed session to discuss the Manager's performance. Director Seidel said that the consensus of the Board at the last meeting was not to discuss this matter in closed session because the Manager had made a mistake that he was taking plans to correct in a newsletter and by posting the correct conservation messages for April on the District's website.

Director Seidel noted that, after that meeting, a letter from Director Jones to the Board, Manager, and Attorney had been received which again faulted the Manager for making a mistake and faulting the Board for not disciplining the Manager.

Director Jones now said that 90% of the bills that had gone out to customers in April had the wrong conservation message and that this was not just only a programming error but a process error—a mistake that could have readily been detected and corrected. He said something should be in place to keep this from happening again.

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Director Seidel said he was offended by Director Jones' letter because of the accusations made about the Manager and the supposed acquiescence of the Board to cover up the fact that the Manager had made an error. He said that this matter had been taken care of at the last meeting by implementing Director Jones' recommendation to put a notice in the newsletter.

Director Solomon said that he had not received any comments from any customers nor had anyone said anything to him at the Town picnic regarding this message error. He said all that should be done had been done. Director Seidel said that the District was very fortunate to have such a Manager and that he is fairly paid and works very hard and does an excellent job. Director Waldeck said that no one can make a claim that they have never made an error and that circumstances which require punitive measures are typified by some sort of cognizant decision to do something wrong. Director Anderson said that this was an error and he had not heard from anyone regarding their billing statement.

Director Jones then submitted a resignation letter. Director Seidel asked that he reconsider his resignation and Director Jones said he would and took back his resignation letter.

The Manager then distributed email correspondence between him and Director Jones at the onset of when Director Jones noticed the error, as well as a reply letter to a customer acknowledging that a mistake had been made on the billing statements. He also showed the Board the program which he had made for the conservation messages and explained how the error had been made, and submitted the revised program which would eliminate future confusion.

10. **MANAGER'S REPORT / COMMUNICATIONS ITEMS:**

A. Field Report The Manager reported the following:

- The Deer Creek pump station improvements project was being inspected by District crews.
- Yearly backflow testing was continuing.
- A 2-inch service line had been installed on Corte Madera Lane.
- Trees and brush had been pruned back at several of the pump stations.
- The goats at Altamont pump station had finished weed eating and had left.
- To date, 1,200 Orion meters have been installed.
- A six-inch fire service line and backflow prevention device had been installed on La Vida Real.
- A main break had occurred on Stirrup Way and a service break had occurred on Purissima Road.

B. Customer Communications There were no customer communications.

C. Antenna Tower at the La Cresta Tank Site The Manager noted that the amendment to the original agreement was before the Town Council this evening for approval and the Manager asked the Board to approve the amendment, as well.

Directors Anderson and Waldeck asked the Attorney about the issue of conflict of interest on voting for the approval of the amendment because both are on the Town's Emergency Communications Committee. The Attorney reviewed the basis of the Committee and members' responsibilities and said that, based on the facts as he understands them, neither Director has a financial interest in this matter. Therefore, under the Political Reform Act and Government Code Section 1090, there does not appear to be a conflict of interest.

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After further discussion, it was moved by Director Solomon, seconded by Director Jones, that the first amendment to the antenna lease at the La Cresta tank site between the District and the Town of Los Altos Hills be approved. Motion carried—voice vote.

Ayes: Director Jones, Seidel, and Solomon
Noes: None
Absent: None
Abstain: Directors Anderson and Waldeck (Abstained so that there is no perceived conflict of interest.)

11. **DIRECTORS' REPORT:**

A. Bay Area Water Supply and Conservation Agency (BAWSCA) Issues The Manager reported on a BAWSCA meeting he had attended.

B. Agenda Item Requests The Board identified agenda items for the July 9, 2008, meeting.

12. **ADJOURNMENT:** The meeting was adjourned at 9:45 p.m. to reconvene at the next regular meeting on July 9, 2008, at 6:30 p.m., in the District office.

Respectfully submitted

Lucy E. Xavier, District Secretary

Approved: _____
Daniel F. Seidel, President