

PURISSIMA HILLS WATER DISTRICT

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS



NOVEMBER 9, 2011

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

Directors Present: President Robert N. Anderson, Vice President Brian Holtz, and Directors Stephen A. Jordan, Gary Kremen, and Ernest Solomon.

Staff Present: Patrick D. Walter, General Manager; David S. Gehrig, Attorney; Joubin Pakpour, Engineer; and Lucy E. Xavier, District Secretary.

The Pledge of Allegiance was recited.

2. **COMMENTS FROM THE PUBLIC:** Dick Jones, former Board member, and Elliott Burr, reporter with the Los Altos Town Crier, were present.

3. **CONSENT CALENDAR:** It was moved by Director Solomon, seconded by Director Kremen, that the Consent Calendar be approved. Motion carried unanimously—voice vote.

- A. Approval of Minutes: Regular Meeting of October 12, 2011
- B. Approval and Ratification of October 2011 Disbursements—\$675,401.37
- C. Financial Reports for October 2011:
 - Income and Capital Improvement Plan
 - Revenues and Expenditures
 - Balance Sheet
 - Consumption and Billing
 - Investments

4. **ENGINEER'S REPORT:**

A. **Water Tank Seismic Improvements** The Engineer reported that the design of the seismic improvement project is proceeding. He noted that the tanks that are being retrofitted are the oldest in the District and record drawings cannot be located. This has slowed down the design by the structural engineer. The Engineer said he anticipates having a preliminary design ready to present to the Board in December.

5. **PRELIMINARY EVALUATION OF RATE INCREASE:** The Manager reviewed a draft spreadsheet showing residential revenue requirements for six different water purchase levels up to 872,000 units based on budgeted costs for fiscal year 2011-2012. He noted that, when the District raised its rates in March 2010, the increase was based on the San Francisco Public Utilities Commission's (SFPUC) wholesale projection of \$1.90 and \$2.14 per unit for the two fiscal years 2010-11 and 2011-12. (The District purchases all of its water from the SFPUC.)

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The Manager said that, effective July 1, 2011, the SFPUC raised its wholesale rate to \$2.63 per unit which exceeds the District's first tier of \$2.70 per unit when pumping costs of \$.28 per unit are added. The District's loan obligation of \$400,000 per year for three years for the Zone 2.5 Project and the capital improvement budget of \$600,000 per year will cause a revenue shortfall of \$372,000 for the current fiscal year based on the purchase of 824,000 units of water.

The Manager said that water usage has declined greatly within the agencies which purchase water from the SFPUC and comprise the Bay Area Water Supply and Conservation Agency (BAWSCA). This decline will cause the SFPUC to increase rates in fiscal year 2012-2013. Although it is impossible to determine what the rate will be, it is expected to be much higher than projected due to declining usage and ongoing Hetch Hetchy seismic upgrades estimated to cost \$4.3 billion.

The Engineer noted that the 13 BAWSCA member agencies (out of 27 members), which had been surveyed by the District, had elected to raise rates concurrently with the SFPUC. The Manager said that he had chosen not to propose a rate increase at that time because he wanted to obtain more firm usage numbers for the District at the end of the summer season, as well as from BAWSCA. In addition, he wanted to delay a rate increase as long as possible. The District now has the fifth lowest rates of all BAWSCA agencies.

The Attorney then explained that Proposition 218 was amended so that public agencies have specific statutory authority to raise rates via an automatic "pass-through" of wholesale rate increases as long as there is a public hearing once in advance of implementation and that it is in place for no more than five years. After adoption of the wholesale pass-through, a notice is required to be sent in advance of each rate increase. This method can be used to pass through inflation costs, as well, and would allow the District to more accurately charge the appropriate rate. He noted that one agency has already implemented this method.

The Manager then continued his review of the residential revenue requirements spreadsheet. After discussion, the Board directed that Staff bring additional information regarding the "pass through" method to the December meeting.

6. **WATER SUPPLY AUGMENTATION—QUARRY HILLS LAKE WATER:** The Attorney reported that another Attorney for the District had corresponded with Mr. Vidovich's attorney with regard to potential deed and reservation documents in connection with his interest in the Quarry Hills lake. Mr. Vidovich's attorney had not yet responded to the last correspondence.

The Attorney also informed the Board that there are circumstances under the State of California Emergency Services Act in which the District might obtain the lake water in the event of a declared state of emergency. After discussion, the Attorney noted the next steps the District will take to move the project along.

7. **MANAGER'S REPORT / COMMUNICATION ITEMS:**

A. **Field Report** The Manager reported the following:

- Work is continuing at the McCann pump station. The installation of the new 4-inch fire service is almost complete.
- An 1½-inch service was installed on Christophers Lane.

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- The field employee who was injured last month has returned to work.
- Field crews will inspect main installations on Samuel Lane and Purissima Road.

The Manager noted that, during the installation of a gas main on Arastradero Road by the City of Palo Alto, crews hit what was believed to be a District supply main. It was later discovered that crews hit a service line off a main that was installed sometime in the late 1950's or early 1960's when that part of Palo Alto, which includes Old Trace Lane, Mockingbird Lane, and properties down to Foothill Expressway, was within the service area of the District. The Manager said that this main will be abandoned.

B. Customer Communications There were no customer communications.

C. State of District Sites The Manager reported that the La Cresta tank site, which was left with construction debris after the installation of cell site equipment by Clearwire, has been cleaned.

8. DIRECTORS' REPORT:

A. Bay Area Water Supply and Conservation Agency (BAWSCA) Issues Director Anderson said there were no BAWSCA issues to report.

B. Designate Voting Designee for Election of Officers at Fall Conference of the Association of California Water Agencies It was moved by Director Solomon, seconded by Director Holtz, that Director Anderson be designated as the District's voting delegate at the ACWA fall conference on November 30, 2011, in Anaheim. Motion carried unanimously—voice vote.

C. Directors' Comments Board members commented on matters of interest to the Board.

D. Agenda Item Requests The Board identified agenda items for the December 14, 2011, meeting.


9. ADJOURNMENT: The meeting was adjourned at 7:50 p.m. to reconvene next at the regular meeting on December 14, 2011, at 6:30 p.m., at the District's office.

Respectfully submitted



Lucy E. Xavier, District Secretary

Approved:


Robert N. Anderson, President