

PURISSIMA HILLS WATER DISTRICT

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS

DECEMBER 14, 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, was present.

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

- A. Approval of Minutes: Regular Meeting of November 9, 2011
- B. Approval and Ratification of November 2011 Disbursements—\$442,552.13
- C. Financial Reports for November 2011: Income and Capital Improvement Plan
Revenues and Expenditures
Balance Sheet
Consumption and Billing
Investments

4. **PRELIMINARY EVALUATION OF RATE INCREASE:** The Manager reviewed a letter from the San Francisco Public Utilities Commission (SFPUC), dated November 30, 2011, which explained that the proposed water rate for Wholesale Customers, effective July 1, 2012, for fiscal year 2012-2013, will range between \$3.08 and \$3.44 per unit. The letter also indicated that updated rate projections for Wholesale Customers will occur in February 2012. In light of this information, the Manager reviewed his spreadsheets and graphs, including those summarizing SFPUC Rate Projections, Comparison of Rate Proposals, FY2012-13 Residential Revenue Requirement, District Proposed Rates and Billing Examples, and Comparison of Rates.

Board and Staff discussed the Manager's Proposed Rates and Billing Examples spreadsheet which showed two alternate rate structures with percentage increases per tier ranging from 2% to 22%. Discussion ensued as to whether to eliminate the sixth tier from the District's current tier system. The Manager indicated that he would like to keep the rates as low as possible by cutting operating costs.

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The Board also considered implementing a procedure to automatically pass-through, to District customers, increases in the wholesale water rate charged by the SFPUC. The Attorney explained that such a pass-through of wholesale rate increases is authorized by statute, provided that the procedure is addressed at a Proposition 218 hearing first, lasts for no more than 5 years, and that customers are given 30 days' notice before any increase. The Attorney also noted that there have been recent legal challenges and litigation against various agencies under Proposition 218 regarding the pass-through of wholesale rate increases. Thus, any pass-through procedures should be evaluated carefully. An advisory committee comprised of Directors Holtz and Jordan was formed in order to review the draft Proposition 218 notice before the January meeting.

The Board then discussed which basis would be preferable for the pass-through method and the consensus was to recover the SFPUC wholesale increase through a flat increase for each unit of water purchased from the District across all tiers, rather than a formula to increase each tier in proportion to their current ratios.

The Board expressed interest in the Manager's Proposed Rate 2 and indicated that a decision would be made later as to whether to eliminate the sixth tier. The Manager said Staff would prepare further rate increase evaluation for the next meeting.

5. **ENGINEER'S REPORT:**

A. **Water Tank Seismic Improvements** The Engineer reported that the design of the seismic improvement project is proceeding and he reviewed a drawing of the flush cleanout which will be installed in the Neary and Page Mill tanks. He noted that this cleanout, although designed specifically for this project, will be installed in each tank in the future.

B. **McCann Pump Station Upgrades** The Engineer reviewed the description of the project which entails replacing 100 linear feet of cross-country 8-inch cast iron pipe with 12-inch ductile iron pipe, as well as redirecting the pipeline. The anticipated cost for this project is under \$50,000 and so will be bid informally. A pre-proposal meeting is scheduled in two weeks and bids will be opened January 6.

6. **RESOLUTION 2011-7—BANK OF THE WEST DIRECT DEPOSIT FOR CUSTOMER AUTOMATIC WITHDRAWAL:** The Manager reviewed the provisions of Resolution 2011-7 which authorizes the District to enter into a contract for direct deposit services with Bank of the West to allow the District to process customer payments through the automated Clearing House System. It was then moved by Director Solomon, seconded by Director Kremen, that Resolution 2011-7, attached hereto, be adopted. Motion carried—roll call vote.

Ayes:	Directors Anderson, Holtz, Jordan, Kremen, and Solomon
Noes:	None
Absent:	None

7. **POLICY FOR FINANCIAL REPORTING OF CAPITAL ASSETS:** The Manager reported that the auditors had requested that the District adopt a policy regarding capital asset capitalization and inventory control. The purpose of the policy is to ensure that there is adequate control and appropriate use of the District's capital assets which are consistent with the new accounting pronouncements effective in 2003.

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After discussion, it was moved by Director Solomon, seconded by Director Kremen, that the policy be adopted. Motion carried unanimously—voice vote.

8. **WATER SUPPLY AUGMENTATION—QUARRY HILLS LAKE WATER:** The Manager reported that Staff was in the process of researching emergency plans of other agencies with regard to obtaining water in the event of a declared state of emergency and had obtained all but one plan. The Attorney said he would report back to the Board after reviewing all the plans.

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

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

- Larger service lines were installed on Donelson Place, Ascension Drive, and Christophers Lane, due to the installation of fire sprinklers in the homes, which require a higher flow.
- The field crew cleaned out the McCann tank and completed the four-inch fire service at the site.
- Crews inspected the Morrison subdivision on Purissima Road.
- The Palo Alto pressure reducing valve that provides water to the District's Zone 4 in an emergency outage was tested and adjusted.

B. **Customer Communications** There were no customer communications.

C. **State of District Sites** The Manager noted that he and the Foreman will be working on the project of installing an electric gate at the La Cresta tank site at the start of the year.

D. **Draft Audit Report for 2010-2011** The Manager said that the District's auditor had a scheduling conflict and was unable to present the draft audit for fiscal year 2010-2011 at this meeting. The Manager asked the Board to review the draft between now and the January meeting when the auditor will be able to attend.

E. **Conservation Information on Billing Statement** The Manager reviewed the information that is on the bills now and the report that is being developed for inclusion on the bills in the near future.

10. **DIRECTORS' REPORT:**

A. **Bay Area Water Supply and Conservation Agency (BAWSCA) Issues** Director Anderson reported on BAWSCA issues and the SFPUC pipeline failure in South San Francisco which occurred in November.

B. **Avoiding Water Leak Disasters: Capital Improvement Program Policies and Operational Practices** The Manager reviewed the District's procedures for responding to main breaks in light of the SFPUC pipeline failure in November.

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

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D. Agenda Item Requests The Board identified agenda items for the January 11, 2012, meeting.

11. **CLOSED SESSION**: The meeting was convened to closed session at 8:25 p.m., pursuant to Government Code Section 54957, for the performance evaluation of the General Manager.

12. **OPEN SESSION**: The meeting was reconvened to open session at 9:05 p.m. No action was taken by the Board in closed session.

13. **ADJOURNMENT**: The meeting was adjourned at 9:06 p.m. to reconvene next at the regular meeting on January 11, 2012, at 6:30 p.m., at the District's office.

Respectfully submitted

Lucy E. Xavier
Lucy E. Xavier, District Secretary

Approved: *Robert N. Anderson*
Robert N. Anderson, President