

PURISSIMA HILLS WATER DISTRICT

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS



APRIL 11, 2012

1. **CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE:** President Holtz called the regular meeting to order at 6:35 p.m. in the District office.

Directors Present: President Brian Holtz, Vice President Stephen A. Jordan, and Directors Robert N. Anderson, 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:** Members of the public, the Los Altos Town Crier, and Patch.com were present for the rate hearing.

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

- A. Approval of Minutes: Regular Meeting of March 14, 2012
- B. Approval and Ratification of March 2012 Disbursements—\$390,174.13
- C. Financial Reports for March 2012: Income and Capital Improvement Plan
Revenues and Expenditures
Balance Sheet
Consumption and Billing
Investments

4. **PROPOSAL TO AMEND DISTRICT'S RATE AND FEE SCHEDULE TO ADJUST RATES FOR ALL CUSTOMERS:**

A. Open Public Hearing Director Holtz welcomed the public and provided an overview of the purpose for the public hearing. He explained that, after the Staff presentation, each person would have five minutes to comment. Director Holtz then declared the hearing open at 6:45 p.m.

B. Staff Presentation of Water Rate Study The Engineer gave the presentation on the 2012 Water Rate Study. This study included rate and expense comparisons with other water agencies; 2012 cost comparisons with other agencies based on District winter and summer average use; a system overview of the District; San Francisco Public Utility Commission (SFPUC) rates and District water sales; reasons for the rate increase; capital improvement program overview; revenues and expenditures; proposed budgets for operations, administration, and maintenance; review of the proposed residential and institutional water rates and a residential bill comparison; and a review of actions taken in finding an alternative supply.

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The Engineer also explained the pass-through methodology for raising rates for a five-year period.

Comments from the public were then addressed by the Board and Staff:

A customer was upset because he believed that engineering and legal fees were too high.

A customer said that there were two millstones around the District's neck: the District was being held hostage by the SFPUC and there was no economy of scale with so few miles of pipe. He had lived in the service area of the California Water Service Company and had been happy with the service. He urged the Board to sell to Cal Water.

Director Solomon said that, several years ago when Cal Water had offered to buy the District, he had voted against the sale because the public would have lost a voice in how the District is run because Cal Water is a private company. He noted that, even if the District sold to Cal Water, the SFPUC would still be the only supplier and the same rates would most likely apply.

A customer noted that there was no choice between which water he would rather drink and was glad to pay the few cents difference and stay with SFPUC water. He also noted that he was pleased with the service of the District and felt fortunate to have the District in Town to respond to emergencies. He also asked about recycled water.

The Engineer said that the District had met with Palo Alto about the possibility of piping recycled water to the District. However, the project is still in the very preliminary stages, is very expensive, and funds are currently not available.

A customer disagreed with the pass-through method of raising rates.

A customer said that the District should sell to Cal Water and save customers' money.

A customer said the District should run a "tight ship" and said there were two "Taj Mahals," one on each end of the driveway.

A customer of 33 years discussed the alternative rate increases in the rate study. He said that the sixth tier should not be phased out because this would discourage conservation and that institutional customers should pay the top tier of the residential rates. He did not agree with the pass-through method. However, he was happy with the District's overall system.

A customer said that he did not believe there is no other source available to the District and that benchmarking should be done against other small cities throughout the State and not only in the Bay Area. He also said that institutional customers should pay more.

Director Jordan noted that the institutional rate is the average of the customer rate. Institutional customers, such as Foothill College, have spent a great deal of money to put conservation plans into place which have worked very well and charging a higher rate would be penalizing those customers.

A customer said that the District should be consolidated with Cal Water.

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Former District Board member, Dan Seidel, said that the District was formed because wells were no longer producing enough water but Cal Water did not want to run the District at that time because of the large lots. When Cal Water offered to buy the District for \$1.00, it was not because the District is a money-maker, but because of its 10 million gallons of storage which Cal Water does not have.

Director Seidel also said that, while it may be true that the District is captive when it comes to SFPUC rates, the SFPUC is also facing the same dilemma. Its income has also gone down because its retail purchasers have conserved so well, but operating costs have gone up. He noted that he did not agree with the pass-through method.

A customer inquired about the District's outstanding loan.

The Manager explained that this loan is from the Los Altos Hills County Fire District for the construction of part of the Zone 2.5 project and the interest is based on the Local Agency Investment Fund which has been at less than 1%.

Former District Board member, Jan Fenwick, said that, when she was a Director, she was surprised at the age of some District facilities but she has been very impressed with the District's capital improvement projects to upgrade and maintain these facilities. She also said that obtaining an additional source of water is virtually impossible, as she learned when she was a Board member. She said that longevity of District staff cannot be undervalued. She is not in favor of increasing rates for institutional customers.

A customer said that she thought the Directors were afraid of losing their jobs and that those who are making a salary are making too darned much. She also said that not everyone who lives in Los Altos Hills is affluent and institutional customers should not get a break.

A customer inquired about the use of gray water for residential customers because she was told by the Town of Los Altos Hills that she could not place a valve on her washing machine to collect gray water for watering plants.

The District's Conservation Specialist explained that California has recently changed its plumbing code to allow for the collection of gray water for irrigation.

A customer said she understood why there has to be a rate increase but feels that conservation incentives need to be addressed through rates. However, at two units a month during winter, she does feel lower users are being penalized. She did not agree with the idea of selling to Cal Water and appreciated that customers could come to the District office if they needed to complain about a matter. She did not agree with the pass-through method.

A customer said he knew several of the board members at Cal Water and referred to them as "blue chip" and "top notch". He gave a brief description of the service area of Cal Water and called it a fine company. He said Los Altos rates are cheaper and the water meets all quality standards.

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The Board then discussed some points of customer comments:

Director Jordan noted that the Board is not eliminating incentives for conservation and that data supports that the District's top users have cut back significantly because of the top tier rate.

Director Kremen said that there may be other ways to cut costs, short of selling to Cal Water, such as outsourcing certain administrative services or leasing out a part of the District. He said the District needs to consider lower income households and that he is not in favor of the pass-through method for raising rates.

Director Anderson said he would not want to sell to Cal Water but would be willing to discuss all options to reduce costs.

Director Solomon noted that the District "overhead" in this room was "damn good." He praised the field and office crews and said that consolidating with other agencies would make costs higher. He said that the Engineer is a valuable consultant to the District and he recognizes when someone does a job well, such as the District Engineer.

Director Holtz said that he agreed with Director Solomon's comments regarding the District Engineer.

C. Close Public Hearing Director Holtz thanked the public for their comments and declared the public hearing closed at 8:20 p.m.

D. Consideration of Resolution 2012-4—Amending Rate and Fee Schedule to Adjust Rates for All Customers The Board then deliberated the proposed increases and the pass-through rate increase and also considered all protests and comments received.

Director Holtz noted that further discussion would be held at a later time regarding the possibility of accepting email protest letters for future rate increases under Proposition 218.

The Manager noted that, upon further review, the \$.30 per unit increase that was projected to be included in the first pass-through increase in October 2012 could be absorbed due to a combination of factors—revenues had increased due to a drier winter and capital improvement projects were still in design and could be constructed in-house.

Director Holtz moved that the pass-through clause, Section C, of Resolution 2012-4 should be eliminated and each rate increase should stand on its own under the provision of Proposition 218. After discussion, it was seconded by Director Jordan. Motion carried unanimously—voice vote.

It was moved by Director Kremen that the rate increase be reduced from \$.51 to \$.40 per unit. Motion died for lack of a second.

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After further discussion, it was moved by Director Jordan, seconded by Director Solomon, that Resolution 2012-4, attached hereto, amending the rate and fee schedule to adjust rates for all customers, and eliminating the pass-through clause, Section C, be adopted. Motion carried—roll call vote.

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

5. **ENGINEER'S REPORT:**

A. McCann Pump Station Upgrades The Engineer reviewed his memo dated April 5, 2012, noting that construction began March 22. The contractor, Lewis & Tibbitts Inc., anticipates completing the structural work within the next few weeks.

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

A. Field Report The Manager reported the following:

- District crews had finished backfilling on Palo Hills Drive due to two leaks which had occurred the prior month.
- A 1-1/2-inch service and meter had been installed on Weston Drive and a 1-inch service was installed on Calle del Sol. Existing services had been abandoned.
- District crews inspected facility installations for the Morrison subdivision on Purissima Road.
- An altitude valve at the Hungry Horse tank site had been converted from electronic control to hydraulic control.
- District crews had assisted the contractor for the Los Altos Hills County Fire District's during the installation of new fire hydrants.
- The drinking fountain near the District's Deer Creek pump station had been repaired.

B. The Board addressed the State Water Project Tax issue, directing the Manager to hire an outside forensic auditor to advise the District on this matter. An advisory committee comprised of Directors Jordan and Kremen was appointed to meet and discuss the matter of the Santa Clara Valley Water District and State Water Project Tax when the consultant is hired.

C. Status of Salary Survey The Board reviewed the scope of the consultant's proposal for a salary and benefit study for the District.

D. Customer Communications All customer communications were letters received with regard to the rate increase.

E. Water Tank Sites The Manager reported that the installation of the automatic gate and push button entry pad at the La Cresta tank site would be completed in a few weeks.

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7. **DIRECTORS' REPORT:**

A. Bay Area Water Supply and Conservation Agency (BAWSCA) Issues Director Anderson reported on BAWSCA issues.

B. Disband and Re-establish Seismic Study Advisory Committee The Attorney noted that there was no need to disband and re-establish the Seismic Study advisory committee.

C. Designate Voting Delegate at ACWA General Session Membership Meeting in May 2012 It was moved by Director Solomon, seconded by Director Kremen, that Director Anderson be designated to vote on behalf of the District at the Association of California Water Agencies General Membership Meeting. Motion carried unanimously—voice vote.

D. Director Advisory Committee Reports There were no reports to be discussed.

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

F. Agenda Item Requests The Board identified agenda items for the May 9, 2012, meeting.

8. **CLOSED SESSION:** The Attorney noted there would be no closed session.

9. **ADJOURNMENT:** The meeting was adjourned at 9:35 p.m. to reconvene next at the regular meeting on May 9, 2012, at 6:30 p.m., at the District's office.

Respectfully submitted



Lucy E. Xavier, District Secretary

Approved: _____



Brian Holtz, President