

PURISSIMA HILLS WATER DISTRICT

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS



JANUARY 11, 2012

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

Directors Present: President Brian Holtz and Directors Robert N. Anderson, Gary Kremen, and Ernest Solomon. Vice President Stephen A. Jordan arrived at 7:30 p.m.

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 Anderson, seconded by Director Kremen, to approve the minutes as amended. Motion carried unanimously—voice vote. It was then moved by Director Solomon, seconded by Director Anderson, that the remainder of the Consent Calendar be approved. Motion carried unanimously—voice vote.

- A. Approval of Minutes: Regular Meeting of December 14, 2011
- B. Approval and Ratification of December 2011 Disbursements—\$315,888.68
- C. Financial Reports for December 2011: Income and Capital Improvement Plan
Revenues and Expenditures
Balance Sheet
Consumption and Billing
Investments
- D. Rotation of Officers Pursuant to Resolution 2009-11 for Year 2012:
President Holtz, Vice President Jordan

4. **DRAFT AUDIT REPORT FOR FY 2010-2011 (CHARLES Z. FEDAK & COMPANY, CPA'S):** Chris Brown, the District's auditor, reviewed the draft audit report for fiscal year 2010-2011. He reviewed the Annual Financial Report, which included the Independent Auditor's Report, Management's Discussion and Analysis, and Basic Financial Statements. Mr. Brown then reviewed the Auditor's Management Report. The Report on Internal Controls and Compliance indicated there were no deficiencies identified in internal control over financial reporting that are considered to be material weaknesses and that results of the auditor's tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The auditor then reviewed the Management Report and noted that no deficiencies in internal control were identified that were considered to be material weaknesses as defined in the report.

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It was moved by Director Solomon, seconded by Director Anderson, that the draft audit report for fiscal year 2010-2011 be accepted. Motion carried unanimously—voice vote.

5. **ENGINEER'S REPORT:**

A. Water Tank Seismic Improvements The Engineer reported that the design for the water tank seismic improvements project is going very well. He noted that the two McCann tanks were added to the project, which includes the Page Mill and Neary tanks, and that these four tanks will be bid out as one package.

B. McCann Pump Station Upgrades The Engineer reviewed the bid results of the McCann Pump Station Improvements Project. The bid opening was held on January 3 and four bids were received out of four prospective eligible bidders. The apparent low bidder was Lewis & Tibbitts, Inc. with a bid of \$83,740, 12% above the Engineer's Estimate.

The Engineer explained that, according to District policy, construction contracts worth \$50,000 or more require competitive bids but that this project was bid informally because the original Engineer's Estimate was under \$50,000. However, due to the complex nature of the project and the addition of backfilling and grading outside of the pump station pursuant to Addendum No. 1, the Engineer's estimate increased to \$75,000. The Engineer requested, with the concurrence of legal counsel, that the Board waive the requirement to obtain formal competitive bids for construction contracts over \$50,000 and authorize the award of contract to Lewis & Tibbitts, Inc. as the lowest, responsive, and responsible bidder.

The Attorney described the District's formal and informal bidding process. Director Kremen asked why the District does not allow the higher bidders to try to match or beat the lowest bid. The Attorney said that the District's contract documents, for formal and informal bids, require that the lowest bidder be awarded the project. Director Kremen said that the District's contract documents should be changed in order to save money. The Engineer said that he did not know of any other agencies who have this procedure but has seen "reverse auction" for the purchase of construction material and equipment purposes only. The Attorney noted that, for smaller projects between \$25,000 to \$50,000, it may not be worth the time and effort to revise the District's contract documents or to engage in a "best and final offer" process. Director Holtz remarked that the District's larger projects (which require widespread advertisement and a sealed bid) could also be changed to a "best and final offer" process. In the interest of time, Director Holtz directed that this matter be on the February agenda for further discussion.

1. Resolution 2012-1—Authorizing an Award of Contract to Lewis & Tibbitts, Inc. in the Amount of \$83,740 It was moved by Director Anderson, seconded by Director Solomon, that Resolution 2012-1, attached hereto, authorizing an award of contract to Lewis & Tibbitts, Inc. in the amount of \$83,740 for the McCann Pump Station Improvements Project, be adopted. Motion carried—roll call vote.

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

6. **WATER SUPPLY AUGMENTATION—QUARRY HILLS LAKE WATER:** The Attorney reported that various emergency plans from different governmental agencies were being compiled. He said that, while reviewing these plans, Staff is keeping in mind what the District might change in its own emergency plan to ensure its rights to obtain water in the event of a declared state of emergency. Staff was waiting for the County Fire District's emergency plan, which is the last one to be submitted.

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

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

- A 1½-inch service line and 2-inch backflow were installed on Campo Vista Lane.
- A PRV was installed on La Cresta Drive, due to high pressure problems associated with the Zone 2.5 project.
- At the District's corporation yard, the fire hydrant retaining wall and fire service installations were completed.

B. **Customer Communications** The Manager reported on communications with a customer who's son has ongoing skin issues associated with chloramines. Director Anderson said he would assist in trying to find an appropriate filter.

C. **State of District Sites** The Manager noted that four tanks—Elena, Altamont, and the two McCann tanks—are currently being cleaned. The remaining tanks will also be cleaned.

8. **EVALUATION OF RATE INCREASE:** Director Jordan reported that the advisory committee (Directors Holtz and Jordan) and the Manager are proposing that the District increase rates to catch up with the wholesale rate increase that the San Francisco Public Utilities Commission (SFPUC) put into effect in July, 2011. The committee is also recommending that a pass-through method be implemented for subsequent rate increases by the SFPUC—the next one scheduled for July 1, 2012—and that District increases precisely match SFPUC increases. The first District increase, which would become effective in March or April of 2012, would be 70% of the 2011 SFPUC increase. An amount of \$0.51 would be added to each of the first five tiers and tier six would remain the same until it is phased out in two to three years.

The Manager reviewed updated spreadsheets and graphs, including a Five-Year Plan Example Using SFPUC Projected Rates for a Pass-through Increase Method, FY2012-13 Residential Revenue Requirement, District Proposed Rates and Billing Examples, and District Proposed Rates and Billing Examples. A draft of the Proposition 218 Notice to customers was also included.

Director Kremen requested additional time to review the Manager's information and the Proposition 218 Notice before a public hearing is scheduled. The Board agreed and directed that the final draft of the Proposition 218 Notice be reviewed and approved at the February meeting at which time the public hearing will be scheduled.

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9. DIRECTORS' REPORT:

A. Bay Area Water Supply and Conservation Agency (BAWSCA) Issues There was no BAWSCA report.

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

C. Agenda Item Requests The Board identified agenda items for the February 8, 2012, meeting.

10. ADJOURNMENT: The meeting was adjourned at 8:15 p.m. to reconvene next at the regular meeting on February 8, 2012, at 6:30 p.m., at the District's office.

Respectfully submitted

Lucy E. Xavier

Lucy E. Xavier, District Secretary

Approved:

Brian Holtz

Brian Holtz, President