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

Directors Present: President Gary C. Waldeck and Directors Brian Holtz, Stephen A. Jordan, and Ernest Solomon. Vice President Robert N. Anderson participated in the meeting by teleconference from New Orleans, Louisiana, pursuant to Government Code Section 54953. The procedural requirements of Code Section 54953 had been satisfied and no members of the public were present with Director Anderson.

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

The Pledge of Allegiance was recited.

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

3. **CONSENT CALENDAR:** Item B, Approval and Ratification of December 2009 Disbursements, was removed from the Consent Calendar. It was then moved by Director Solomon, seconded by Director Holtz, that the remaining items be approved. Motion carried unanimously—voice vote.

   A. Approval of Minutes—Regular Meeting of December 9, 2009


Approval and Ratification of December 2009 Disbursements: After discussion, it was moved by Director Solomon, seconded by Director Jordan, that the December 2009 disbursements in the amount of $479,905.11 be approved. Motion carried unanimously—voice vote.

4. **AUDIT REPORT FOR FY 2008-2009 (CHARLES Z. FEDAK & COMPANY, CPA'S):**

Chris Brown, the District's auditor for FY 2008-2009, was present to review the draft audit report. He began by reviewing 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 noted that no deficiencies were indentified in internal control that are considered to be material weaknesses. However, the audit did identify a few control deficiencies, which he went on to explain to the Board.
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After discussion, it was moved by Director Jordan, seconded by Director Solomon, that the contents of the draft audit report for FY 2008-2009 be accepted, subject to the incorporation of the comments made. Motion carried unanimously—voice vote.

5. ENGINEER’S REPORT:

A. Altamont Pump Station Upgrades  Last month, the Engineer had reported that the new generator for the pump station would be delivered on December 18 and installed the week after. He now noted that the manufacturing plant had delayed the shipment and that the generator would arrive on January 15.

B. Zone 2.5 Project—Phase II  The Engineer reviewed his memo of January 5. He reported that the District’s contractor, Stoloski & Gonzalez (SG), had completed the majority of the water main installation along lower La Cresta Drive and had completed the connection to the 8-inch main along La Cresta Court. He also noted that SG had installed 470 linear feet of 12-inch ductile iron pipe (DIP), 13 linear feet of 8-inch DIP, and 56 linear feet of 6-inch DIP. The Engineer said that the project was proceeding smoothly and that there have been no change orders.

Director Waldeck, who lives in the vicinity of the project, said that the inspecting engineer, Brandon Laurie, is very professional and knowledgeable. (Brandon is an employee of Pakpour Consulting, District Engineers.)

(As of December 31, 2009, SG has completed 28% of the contractual work by installing a grand total of 1,197 linear feet of 12-inch DIP, 843 linear feet of 8-inch DIP, 331 linear feet of 6-inch DIP, four fire hydrants, and various appurtenances.)

6. WATER SUPPLY AUGMENTATION:

A. Quarry Hills Lake Water  The Engineer reviewed draft exhibits and costs that had been submitted in a meeting earlier this day by Erlr & Kalinowski, Inc. (EKI), the District’s consultant. He also reviewed a phone conference that EKI had with the Department of Public Health regarding the District’s use of the lake water in an emergency.

After discussion, the Engineer noted that the final report would be ready by the February Board meeting.

B. Acquisition of Additional Supply Allocation  Director Waldeck noted that he was waiting to hear when representatives from the Town of Los Altos Hills and the City of Palo Alto would meet to discuss creative ways to collaborate on areas of mutual interest. The Manager noted that he was having ongoing discussions with Palo Alto staff regarding the possible purchase of excess SFPUC allocation.

The Manager also reported on another possible source of additional supply and requested that the Advisory Committee for Water Supply Augmentation, consisting of Directors Jordan and Waldeck, meet with the Manager and Engineer to discuss this option.

7. DISCUSSION OF POTENTIAL WATER RATE INCREASE AND SET PUBLIC HEARING DATE FOR POTENTIAL RATE INCREASE:  The Manager reviewed alternative rate schedules based on comments from the last meeting, as well as revenue requirements for fiscal year 2010-2011 based on various water purchases.
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After discussion, the Board directed that a special meeting be held on January 19, 2010, to establish the potential unit rate increase and to review a draft rate study.

8. MANAGER'S REPORT / COMMUNICATIONS ITEMS:

A. Field Report The Manager reported the following:
   - A three-valve set had been installed on La Loma Drive, as well as a two-inch air release with a retaining wall.
   - Water facilities for a new two-lot subdivision on Palomino Place had been inspected.
   - The cross-country main on Rhus Ridge Road had been abandoned.
   - Five failed backflows had been replaced.
   - Orion meters continued to be installed.
   - Backflow testing had been completed.

B. Customer Communications There were no customer communications.

9. WATER CONSERVATION:

A. Proposed New Water Conservation Program The Board reviewed the brochure that will be sent out to customers asking for proposals for irrigation and landscape projects that will reduce a homeowner’s annual water usage. The District will reimburse the winning customers a portion of the cost of the project after the project has been completed.

After discussion, it was moved by Director Solomon, seconded by Director Holtz, to approve the water conservation pilot program with a budget not to exceed $20,000 and to send out the brochure, as modified, to customers. Motion carried unanimously—voice vote.

Regarding the District’s rain click giveaway, the Manager noted that 61 customers had requested a rain click and 14 had been installed.

B. BAWSCA Model Indoor and Outdoor Water Conservation Ordinances The Attorney reviewed the Template Indoor and Outdoor Water Efficiency Ordinances developed by the Bay Area Water Supply and Conservation Agency. Although water districts are not required to comply with the Water Conservation in Landscaping Act (AB 1881), BAWSCA believes there is a substantial and important role for water districts to play in achieving much needed water conservation in the area.

After discussion, the Board decided to wait until after the Town takes action in connection with AB 1881 and to revisit this issue at that time.

C. Los Altos Hills / Purissima Hills Water District AB 1881 Compliance Efforts Director Holtz reported that the Chair of the Los Altos Hills Water Conservation Committee had submitted the Committee’s draft proposal of a water efficient landscape ordinance to the Town Council for review.

10. DIRECTORS' REPORT:

A. Bay Area Water Supply and Conservation Agency (BAWSCA) Issues Director Anderson reported on BAWSCA issues.
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B. Attendance at ACWA Region 5 Meeting  Director Waldeck noted that he would attend the Association of California Water Agencies Region 5 meeting on February 5 at the Contra Costa Water District. For purposes of compensation and expense reimbursement, it was moved by Director Holtz, seconded by Director Jordan, that Director Waldeck be approved to attend this meeting. Motion carried unanimously—voice vote.

C. Agenda Item Requests  The Board identified agenda items for the February 10, 2010, meeting.

11. CLOSED SESSION: The Board went into closed session at 10:00 p.m. to confer with legal counsel on a matter of anticipated litigation pursuant to California Government Code Section 54956.9(b), significant exposure to litigation: one case.

The Board came out of closed session at 10:15 p.m. No action was taken.

12. ADJOURNMENT: The meeting was adjourned at 10:16 p.m. to reconvene next at a special meeting on January 19, 2010, at 9:00 a.m., at the District's office.

Respectfully submitted

Lucy E. Xavier, District Secretary

Approved: Gary C. Waldeck, President