Purissima Hills Water District
MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS

MARCH 10, 2010

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

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: Public was present for the hearing on the proposed rate increase.

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

   A. Approval of Minutes: Regular Meeting of January 13, 2010
      Special Meeting of January 19, 2010
      Regular Meeting of February 10, 2010

   B. Approval and Ratification of February 2010 Disbursements—$360,825.95

   C. Financial Reports for February 2010:
      Income and Capital Improvement Plan
      Revenues and Expenditures
      Balance Sheet
      Consumption and Billing
      Investments

4. PROPOSAL TO AMEND THE DISTRICT'S RATE AND FEE SCHEDULE TO INCREASE WATER RATES:

   A. Staff Presentation of Water Rate Study The Engineer gave a presentation on the 2010 Water Rate Study. This study included a rate comparison with other water agencies; a system overview of the District; reasons for the rate increase; a capital improvement program overview and goals; District revenues and expenditures; proposed budgets for operations, administration, and maintenance; review of the proposed residential and institutional water rates; and a residential bill comparison.

   B. Open Public Hearing on Proposed Water Unit Rate Increase Director Waldeck opened the public hearing at 7:20 p.m. Approximately 25 members of the public were present.
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Comments from the public were addressed by the Board and Staff:

- Foothill College and other public institutions in the District have been subsidized all these years by the customers of the District. The college is in a better position to pay higher rates than the average homeowner.

The Manager noted that the institutional rates are designed to be cost neutral since the proposed institutional rate is the average of the residential rate. The Manager also noted that, since the last rate increase, Foothill College has rehabilitated two wells, eliminated a football field, and will be converting a soccer field from grass to artificial turf.

The Engineer added that institutional customers account for only six percent of the District’s total usage and raising the rates higher for these customers would not produce significant income.

- A customer said that he owns and operates two small water districts in Sonoma County which are regulated by the California Public Utilities Commission. He compared his two utilities to the District, noting that inflation and the District’s capital improvement plan does not equate to the proposed rate increase of 50% for the low-middle users. He said that the lower tiers should be increased approximately 12% and the higher tiers should be increased substantially more than is proposed.

- The proposed increases are not high enough at the higher tiers and the mid-range tiers should be lowered. A graph of suggested tier pricing was submitted for Board consideration.

- A customer did not understand the regressive increase starting with 50 units through 300 units.

The Engineer explained that, although the percentage increase may not be as much for the higher tiers as it is for the lower to middle tiers, those in the higher tiers are paying much more incrementally.

- What is the income from the District’s readiness-to-serve charge.

The Engineer responded that it is 12%.

- Why was the initial proposal made for splitting 1 through 10 units into two tiers.

Director Waldeck said that public had attended a Board meeting and requested that the Board consider making a 1-10 unit tier a lifeline tier. The Board had also received feedback from other customers that the lowest tier should not be changed into two tiers.

- Why are the rates going up if the District is purchasing less water due to conservation.

The Engineer noted that, although there had been a dip in usage in the past, the same amount of water is anticipated to be used this year and next year but purchased at a higher cost from San Francisco. He also said that if enough revenue is not collected, the capital improvement program will be adjusted.
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- A customer said that the rate study had been presented well but he would like to see a graph on summer usage. He is having a very difficult time conserving more than he already has and waters 2,500 plants with drip irrigation.

- Are there any financial issues the District is facing that need income in order to remain solvent that would be derived from the proposed increases.

Director Waldeck noted that the capital improvement program is "pay as you go" and the District has no debt, except that prices, including water, are going up.

The Manager then went through the procedure of developing the new rate schedule. He said this includes preparing a budget to determine expenses and residential rate requirements and running several water rate options to obtain the income needed for operations and capital improvements.

Additional discussion ensued between the public, Board, and Staff regarding the increase in expenses versus the percentage increase of rates; why it is not prudent to delay capital improvement projects; why the new rates are progressive, not regressive; why the highest increase is in the lower tiers and not in the higher tiers; and the District's well study to find additional supply. The Board also reviewed the proposed rate schedule before making its final decision to adopt the new rates.

C.  Close Public Hearing  Director Waldeck closed the public hearing at 9:02 p.m.

D.  Consider Adoption of Resolution 2010-1—Amending Rate and Fee Schedule to Adjust Rates for All Customers  It was moved by Director Jordan, seconded by Director Anderson, that Resolution 2010-1, attached hereto, amending the District's rate and fee schedule to adjust the water unit rates for all customers, be adopted. Motion carried—roll call vote.

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

Director Waldeck voted no because he felt that the rates had not been raised sufficiently for the higher tiers.

5.  PUBLIC WATER USE METRICS:  Director Waldeck said he wanted to discuss the metrics that might be used to reduce the District's per capita consumption figure and change the perception that the District uses too much water. He noted that reporting water usage for vineyards and orchards, for example, might achieve this. After discussion, it was agreed that additional information on this matter be gathered for the next meeting.

6.  ENGINEER'S REPORT:  

A.  Altamont Pump Station Upgrades  The Engineer reported that the new generator had passed testing by the Fire Department and the Santa Clara County Department of Public Health. The fuel tank had one minor problem which was repaired and retested. He noted that the next step is to fill the fuel tank and perform a load test on the generator. The project will then be complete and Gardini Electric will finish the electrical work.
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B. Zone 2.5 Project—Phase II The Engineer said that the project was 50% complete. He then reviewed his memo of March 4, noting that the District’s contractor, Stoloski & Gonzalez (SG), had completed the water main installation along Viscaino Road and had also begun work on upper La Cresta Drive. The contractor had installed 680 linear feet of 12-inch ductile iron pipe (DIP); 105 linear feet of 8-inch DIP; 311 linear feet of 6-inch DIP; two 8-inch gate valves, three fire hydrants; and miscellaneous appurtenances, including bends, tees, and reducers.

The Engineer noted that there has been $1,000 in change orders to date.

(As of February 26, 2010, SG has completed 48% of the contractual work by installing a grand total of 2,155 linear feet of 12-inch DIP, 948 linear feet of 8-inch DIP, 897 linear feet of 6-inch DIP, eleven 12-inch gate valves, three 8-inch gate valves, seven fire hydrants, and various appurtenances.)

7. WATER SUPPLY AUGMENTATION:

A. Quarry Hills Lake Water The Engineer reported that there had been an advisory committee meeting last week (consisting of Directors Holtz and Solomon) to review in more detail the draft feasibility report submitted by Erler & Kalinowski, Inc. (EKI), the District’s consultant. Comments had been made which will be incorporated into the report. He also noted that, in order to obtain additional information, EKI will schedule a meeting with the representative from the San Francisco Public Utilities Commission (SFPUC) who is preparing the reliability modeling.

B. Acquisition of Additional Supply Allocation The Manager reported that he had met with staff from the City of Palo Alto to discuss the possible purchase of Palo Alto’s excess SFPUC allocation, specifically with regard to the cost of the one-time purchase of supply allocation or the rights to the water. The Manager said that the cost suggested by Palo Alto staff was very high. After discussion, Director Waldeck agreed to meet with a council member from the City of Palo Alto to discuss this matter.

8. MANAGER’S REPORT / COMMUNICATIONS ITEMS:

A. Field Report The Manager reported the following:

➢ An 1½-inch service and meter, and a 2-inch backflow had been installed for a new residence on La Paloma Road.
➢ Three new backflows had been installed and one had been replaced.
➢ Yearly backflow testing had been completed.

The Manager also reported that the Bay Area Air Quality Management District had inspected records and tank facilities relating to water quality and that the inspection had gone well, except for a few minor items inside the tanks that need repair.

The inspector also pointed out that the holes for the District’s two test wells should be abandoned permanently, i.e., filled with cement grout according to the requirements of the Santa Clara Valley Water District. The Board agreed.

B. Customer Communications Additional protest letters regarding the proposed rate increase had been received and considered during the public hearing.
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9. WATER CONSERVATION:

A. Los Altos Hills / Purissima Hills Water District AB 1881 Compliance Efforts Director Holtz reported that the Town’s Water Conservation Committee had met with Town staff. One of the Committee members had indicated that some District customers have high indoor usage. The committee will adjust the conservation formula to include a baseline of indoor use. Another item discussed in the committee was adjusting for a slope factor.

10. DIRECTORS’ REPORT:

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

B. Silicon Valley Water Conservation Awards Director Anderson noted that BAWSCA and several other agencies have teamed up to award a business, public agency, or organization for its water conservation efforts. The Board agreed to look into this in 2011, as the 2010 deadline had passed.

C. Attendance at League of Women Voters “Meet Your Elected Officials” Reception—March 21, 2010 The Board reviewed a letter from the League of Women Voters inviting the District’s directors to an event where elected officials will have a chance to meet their constituents informally. Director Anderson said he would be attending.

D. Agenda Item Requests The Board identified agenda items for the April 14, 2010, meeting.

11. CLOSED SESSION: The Board went into closed session at 10:35 p.m. to confer with legal counsel on the following matter:

   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 10:57 p.m. The Board received a report from legal counsel and no action was taken.

12. ADJOURNMENT: The meeting was adjourned at 10:58 p.m. to reconvene next at the regular meeting on April 14, 2010, at 6:30 p.m., at the District’s office.

Respectfully submitted

Lucy E. Xavier, District Secretary

Approved:

Gary C. Waldeck, President