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; 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:** Director Solomon requested that the approval of minutes be taken off the Consent Calendar.

   A. Approval of Minutes: Regular Meeting of December 8, 2010
   
   B. Approval and Ratification of December 2010 Disbursements—$564,558.70
   
   C. Financial Reports for December 2010: Income and Capital Improvement Plan
      Revenues and Expenditures
      Balance Sheet
      Consumption and Billing
      Investments

Director Solomon suggested amendments to the minutes. After discussion, it was moved, seconded, and carried unanimously that the amendments to the minutes and Items B and C of the Consent Calendar be approved.

4. **ART JENSEN, GENERAL MANAGER, BAY AREA WATER SUPPLY AND CONSERVATION AGENCY (BAWSCA):**

   A. **General BAWSCA Issues and Overview** Mr. Jensen addressed the Board on general matters regarding BAWSCA. He noted that one of BAWSCA's main achievements has been the monitoring of San Francisco's water system improvement program. He noted that San Francisco was on schedule and on budget.

   Another BAWSCA achievement was the negotiating and signing of a new 25-year water contract with San Francisco in 2009. Mr. Jensen noted that the original contract had been signed in 1984 and that he felt that the new contract was far superior in terms of water quality.

   Mr. Jensen noted that BAWSCA was currently working on two matters to help meet future water supply needs reliably:
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1) A near-term plan that implements water conservation, noting that this is less expensive water and no major infrastructure is required, and

2) A long-term plan, which entails the development and implementation of a long-term reliable water supply strategy.

B. **Tier 2 Drought Implementation Plan** Mr. Jensen gave a summary of his memo dated November 5, 2010, which described the Tier 2 Drought Implementation Plan (DRIP). This plan, along with the Tier 1 Plan which has already been adopted, goes through December 31, 2018, and allocates the share of water among the 26 wholesale customers (of which the District is one), to coincide with San Francisco's deferral of decisions about additional supply until at least 2018. The Tier 2 DRIP will establish an allocation formula that will determine how the available water will be allocated in system-wide shortages up to 20%.

After discussion and review of the tables attached to his memo, Mr. Jensen urged the District to adopt a resolution approving the Tier 2 DRIP pursuant to Section 3.11.C of the Water Supply Agreement with San Francisco. Director Anderson said that the resolution would be before the Board at its February meeting.

5. **AUDIT REPORT FOR FY 2009-2010 (CHARLES Z. FEDAK & COMPANY, CPA'S):** Chris Brown, the District's auditor, reviewed the draft audit report for fiscal year 2009-2010. 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 identified in internal control that are considered to be material weaknesses.

Minor corrections to the audit were made. After discussion, the Board directed that the final corrected audit report be placed on the Consent Calendar at the February meeting for acceptance.

Discussion ensued as to the equivalent rate base of the District. Director Anderson appointed Directors Jordan and Kremen as a subcommittee to determine this data.

6. **RESOLUTION OF APPRECIATION FOR GARY WALDECK:** The Board reviewed the Resolution of Appreciation for Gary Waldeck, former Board member. It was then moved by Director Anderson, seconded by Director Jordan, that Resolution 2011-1, attached hereto, be adopted. Motion carried—roll call vote.

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

A framed copy of the resolution will be presented to Mr. Waldeck at a dinner on January 27, 2010.

7. **HANSON BRIDGETT, LLC—APPROVAL OF AMENDMENT TO PROFESSIONAL LEGAL SERVICES AGREEMENT:** The Attorney reviewed his memo of December 20, 2010, and the proposed new rate schedule (Exhibit A) to the contract for legal services.
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After discussion, it was moved by Director Holtz, seconded by Director Solomon, that the proposed new increase in legal rates be accepted, but without an annual increase based on the Consumer Price Index. Motion carried unanimously—voice vote.

8. WATER RATES—DOCUMENT ON FREQUENTLY ASKED QUESTIONS: The Engineer submitted a revised version of the frequently asked questions. The Attorney informed the Board that Staff was still working on this document and that an updated version would be forwarded to the Board for review in advance of the February Board meeting.

9. ENGINEER’S REPORT:

   A. Zone 2.5 Project, Phase III  The Engineer reviewed his memo of January 6. He noted that there is no longer a Zone 2.5 in the District as of this day—the Zone 2.5 had now been incorporated into Zone 3.

   The District’s contractor, Stoloski & Gonzalez (SG), had completed the installation of various appurtenances, including two combination air valves and 15 water service connections with pressure reducing valves. SG had also abandoned one combination air valve and a 6-inch main reconnection along Cumbra Vista Drive. Extra work requested by the District included completing various reconnections throughout the project, as well as abandoning the existing main and its components and the cross-country main off Leander Drive.

   The Engineer noted that the entire project, excluding punch list items, should be completed by the end of the month.

   As of December 31, 2010, SG has completed 88% of the contractual work.

   B. Summary of Corrosion Activities  The Engineer reviewed his memo of December 20, 2010, which detailed activities for the District’s Corrosion Prevention Project.

   C. Signage for Trench Plates  The Engineer noted that contract documents require District contractors to be responsible for site safety and traffic control and the contractor is also required to adhere to Caltrans specifications for traffic control. He said that Staff would be coordinating with the Town of Los Altos Hills and consulting with the Attorney on additional safety specifications which the District might incorporate into its contract documents.

   D. Neary and Page Mill Tanks Structural Upgrades  The Engineer noted that a draft report had been submitted by the consultant and would be reviewed by Staff before the next Board meeting.

10. WATER SUPPLY AUGMENTATION—QUARRY HILLS LAKE WATER: The Manager reported that he had been in contact with the owner of the lake who indicated he would soon meet with Staff and the District’s Subcommittee.

11. MANAGER’S REPORT / COMMUNICATIONS ITEMS:

   A. Field Report  The Manager reported the following:

      ➢ A leak had occurred on Duval Way and Josefa Lane on a ductile iron main.
      ➢ Flushing had been done throughout Zone 4.
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> District vehicles had passed smog tests.
> District crews had assisted the District's contractor on the Zone 2.5 project.
> Pump stations had been cleaned after the last storm.

B. Approval of Funds for Abandonment of Wells The Manager reported that a proposal had been received from Luhdorff and Scalmanini Consulting Engineers for the abandonment of two monitoring wells—one at the District's Toyon Yard and the other in front of the District office—at a cost of $20,000. The Manager noted that these wells will not be developed due to inferior quality and low flow and the Department of Public Health has required that the wells be abandoned.

After discussion, it was moved by Director Solomon, seconded by Director Holtz, that the funds be approved for the abandonment of the two wells. Motion carried—voice vote.

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

Director Jordan abstained because he felt that some use could be found for the well water.

C. San Francisco Public Utilities Commission (SFPUC)—Interim Supply Allocation The Manager reviewed a letter from Steven Ritchie, Assistant General Manager of the San Francisco Public Utilities Commission, indicating that the Final Interim Supply Allocation had been adopted by the SFPUC on December 4, 2010. A detailed description of the methodology used to calculate the allocations had been included.

12. DIRECTORS' REPORT:

A. Bay Area Water Supply and Conservation Agency (BAWSCA) Issues Director Anderson reported that Director Kremen and he had attended an ethics class given by the Attorney's office.

B. Miscellaneous Director Anderson requested that the Manager set up a coffee and donuts get-together for the Board and field crew.

C. Agenda Item Requests The Board identified agenda items for the February 9, 2011, meeting.

13. ADJOURNMENT: The meeting was adjourned at 9:42 p.m. to reconvene next at the regular meeting on February 9, 2011, at 6:30 p.m., at the District's office.

Respectfully submitted

Lucy E. Xavier, District Secretary

Approved:

Robert N. Anderson, President