

**MINUTES OF THE ANNUAL MEETING OF SHAREHOLDERS
OF THE SAN ANTONIO WATER COMPANY**

The Annual Meeting of Shareholders of the San Antonio Water Company (SAWCo) was held as noticed on April 5, 2016 in the council chambers at the Upland City Hall, 460 North Euclid Ave, Upland, California.

Sign-In – Shareholders were requested to sign-in in order to document their presence at the Annual Meeting. All outstanding proxies submitted were verified for validity and effect.

Introductions – President Thomas introduced the current Directors on the Board; Ken Wills, Will Elliott, Glenn Bozar, Bob Cable, John Gerardi (absent), Sue Sundell (absent), and himself, the General Manager Mr. Charles Moorrees, the Auditor’s representative Craig Miller, CPA, Water Company Staff; Teri Layton, Roberta Thomas, and Joni Ruggles, as well as long-standing legal counsel Tom McPeters (absent), special legal counsel Fred Fudacz (absent), and the Inspectors of Election: Peter Cherbak, Betty Garrison, and Donna Hawthorne.

Validation of Annual Meeting Quorum – General Manager Charles Moorrees reported that the meeting was properly noticed. Inspector of Election Donna Hawthorne reported that there is a quorum present.

Call to Order – President Thomas called the meeting to order at 6:00 pm.

2015 Annual Meeting Minutes –Director Thomas asked if there were any corrections needed to the 2015 Annual Meeting minutes. Director Bozar moved and Director Willis seconded to approve the minutes of the 2015 Annual Meeting as presented. Director Thomas asked for a voice vote and the motion carried.

Manager’s Report – Mr. Moorrees conducted a PowerPoint presentation highlighting the previous year’s events. Total local rainfall at the San Antonio Dam was at 9.57 inches which is only 42.7% of the long term annual average of 22.40 inches going back to 1958. He pointed out that water levels in the Cucamonga Basin dropped an additional 21 feet throughout the year causing Nitrates and DBCP levels to increase. Wells 15 and 16 in the Chino Basin produced 76% of the Company’s Operating Safe Yield (OSY) with water levels dropping 9 feet. Water levels in the Six Basins (Wells 26, 27A, and Well 25A) are beginning to level off with 64% of OSY being produced. OSY was reduced from 16,500 acre feet (AF) to 16,000 AF per year dropping SAWCo’s allowance from 1,182 AF to 1,146 AF per year. At the end of 2015 the water levels increased in this basin by 15 feet because of the inability to produce the water. SAWCo recharged a total of 284 AF in the San Antonio Spread Grounds during the year. In addition, 618 AF of water was spread in the Cucamonga Basin via Basin 6(A), Basin 3, and Banyan Basin compared to only 77 AF spread the previous year.

Although an El Nino was projected to provide needed precipitation, the drought continued and water production decreased by 15 percent. This decrease prompted a 15% reduction in entitlement beginning in March 1, 2015. The Water Alert was increased to the High Shortage Stage which allows outdoor irrigation only two days per week and only during specific times of the day. Annual entitlement prior to the drought was based on the average amount of water able to be produced which was 16.574 AF. Annual entitlement for 2015 was 11,552, however, by the end of 2015 SAWCo was only able to produce 9,248 AF of water. Reduced water supply and reduced deliveries has led to reduced revenues. Back-to-back entitlement reductions were not paired with an increase in water rates. The sale of stored water has previously been used to offset the negative variances in revenues versus expenses. Stored water transfers to reconcile entity entitlements and the inability to increase stored water nearly eliminated these storage accounts. The current water rate and the reduced sale of stored water exposes the reality that current revenues do not cover expenses and impacts net income. At the end of 2013 SAWCo had a net income of \$1,084,399, at the end of 2014 net income was \$115,804, and at the end of 2015 SAWCo had a deficit of \$922,807. Roughly 80% of this loss is attributed to the lack of stored water to reconcile service agreements and inability to deliver water.

Capital Projects for the Water Company included a Master Plan project replacing substandard pipelines on Wildrose Lane and Spring Terrace Drive for a total cost of \$139,780. A Chino Basin Recharge Pipeline was

completed for a cost of \$174,136. This pipeline provides the ability to deliver surface water from the San Antonio Creek into the San Antonio Channel to downstream groundwater recharge basins in Chino Basin and allows for SAWCo to replenish their water storage accounts. A Frankish Tunnel Pipeline Connection to 22nd Street was installed for \$390,636. The project captures seasonal Tunnel flows but also provides an alternate conveyance for water recharge into Cucamonga Basin 3. Air entrainment due to the steepness of the pipeline to the City of Upland's treatment plant was corrected with a standpipe/valve delivery system in the amount of \$51, 097. This system provides the ability to modulate the flows to reduce the entrained air.

Operations Activities included continued work on the Cucamonga Crosswalls with the adoption of the mitigated negative declaration. An AdHoc Committee was established to discuss the possibility of relocating and consolidating the office and yard. SAWCo is also working with the San Bernardino County Flood Control District (SBCFCD) in preparing an environmental document to begin desilting Basin 6.

Operational Activities in 2015 involved water quality issues with the domestic Tunnel which required staff to discharge the water to irrigation instead of delivering it to the domestic system. A technical memorandum was developed with an environmental consultant to identify the cause of microbial occurrences by taking systematic water quality sampling from Tunnel shafts to the Forebay and modifying the Tunnel weir to allow better flow at the Forebay. SAWCo also developed strategy for discussing Tunnel disposition with the State Division of Drinking Water and hopes to get the Tunnel water back into the domestic system.

Studies performed in 2015 were the San Antonio Creek Watershed – Sanitary Survey which provides the basis for developing strategies to monitor and maintain water quality and control potential contamination. The Water Master Plan (WMP) update carried over into 2016 and included a Strategic Plan calling for a Company Vision Day with shareholders followed by a Planning Day. The Urban Water Management Plan, which is required to be updated every 5 years, was initiated in 2015 and will continue into 2016 as well. An Alternative Energy Feasibility Study was completed in 2015 and identified solar arrays to offset energy costs for facilities at 17th Street and Benson Avenue.

Operational Improvements in 2015 included Office and Yard computer replacement at a cost of \$12,000; a Business Continuity System at a cost of \$10,000; a wireless bridge from the office to the Yard for \$2,600; Office floor covering for \$10,000; Yard facility fence replacement at a cost of \$2,100; residential meter replacement for \$9,000; and the purchase of an automatic meter reader and charger for \$3,000.

Development in 2015 involved a proposed Sprint cell tower on the Water Company's Reservoir 6 site on Mountain Avenue and a pending approval for the development of a Verizon cell tower at Reservoir 1 on 20th Street.

SAWCo continues its water rights investigation in Mt. Baldy by soliciting a response from the United States Department of Agriculture (USDA). Staff is awaiting a response from the State Water Resources Control Board (SWRCB) regarding review basis of water rights from Mt. Baldy parties. In 2007 SAWCo engaged Special Legal Counsel Fred Fudacz with Nossaman & Associates to initiate the water rights investigation.

The Water Company continues to maintain a Facebook page, a quarterly newsletter, and a website to keep their shareholders informed. Drinking water notices regarding bacteria in domestic system water samples were mailed in October and November. During the year SAWCo also hosted a conservation table at the Annual San Antonio Heights Association Meeting, at which staff made a presentation, as well as the Citizen's Patrol George Lee Pancake Breakfast.

SAWCo continues to be active in the San Antonio Creek Watershed Committee and participated in the 11th Annual Watershed Clean Up Day held on July 9th. Also in attendance was the City of Pomona and the City of Upland.

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Upcoming projects for 2016 include the Edison Pond Expansion Feasibility Study, Office and Yard Relocation, and the completion of the Urban Water Management Plan. Also scheduled for 2016 are the completion of the Water Master Plan, and modernizing the judgment for Cucamonga Basin Management.

Maintenance projects for 2016 consist of desilting Basin 6, desilting and repairing the Cucamonga Crosswalls, Forebay weir modification, Well 16 pipeline modification, material storage bins at Reservoir 1, and Reservoir 6 and Reservoir 12 mixing systems (PAX). Also scheduled for 2016 is Cla-Val maintenance and the replacement of the office air-conditioning unit.

Capital projects for 2016 include the design of a 100,000 gallon reservoir on Holly Drive, a surface water connection with Water Facilities Authority on Benson Avenue, Booster 9 replacement, and Holly Drive booster replacement.

Administrative projects in 2016 involve the consideration of proposals for a rate and fee study, replacement of the sequel server, inventory/work order modules for the billing system, and a stock database program.

Director Thomas thanked Mr. Moorrees and stated there is a section later in the meeting should anyone have questions.

Statement of General Counsel

Mr. McPeters was unable to attend the meeting.

Statement of Special Counsel

Mr. Fudacz was unable to attend the meeting.

Directors Terms and Other Business – Director Thomas advised that under new state law SAWCo switched to four-year terms. The terms were staggered at that time with four of the directors serving four-year terms and three serving two-year terms. There are no officers up for election this year therefore no action is necessary.

Shareholders and Public Testimony – Director Thomas gave a brief statement as to how this process works [This is the time for any Shareholder or member of the public to address the board members on any topic under the jurisdiction of the Company, which is on or not on the agenda. For any testimony, speakers are requested to keep their comments to no more than four (4) minutes, including the use of any visual aids, and to do so in a focused and orderly manner. Anyone wishing to speak is requested to voluntarily fill out and submit a speaker's form to the manager prior to speaking].

No shareholder's requested to speak.

Director Willis moved and Director Elliott seconded to adjourn the meeting. Motion carried. The meeting was adjourned at 6:25 p.m.

For the record, it was noted that there were 17 shareholders signed in as attending the Annual Meeting; a total of 14.0 shares present and 4,343.90 represented by proxy.

Assistant Secretary
Charles Moorrees