

**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 11, 2017 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; Will Elliott, Sue Sundell, Ken Willis, John Gerardi (absent), Bob Cable, Glenn Bozar, and himself. He then introduced long-standing legal counsel Tom McPeters, special legal counsel Fred Fudacz, the auditor’s representative Craig Miller, CPA, the Inspectors of Election: Peter Cherbak, Betty Garrison, and Donna Hawthorne, as well as the General Manager Mr. Charles Moorrees, Water Company Staff; Assistant General Manager Teri Layton, Water Utility Superintendent Tommy Hudspeth, Kelly Mitchell, Roberta Thomas, and Joni Ruggles.

Validation of Annual Meeting Quorum – Director Thomas previously inquired about the validation of the meeting. 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.

2016 Annual Meeting Minutes – Director Thomas asked if there were any corrections needed to the 2016 Annual Meeting minutes. Director Elliott moved and Director Willis seconded to approve the minutes of the 2016 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 16.92 inches which is 75% of the long term annual average of 22.27 inches. Mr. Moorrees noted that six inches of rain fell in December 2016 alone. He pointed out that water levels in the Cucamonga Basin dropped an additional 31 feet from the previous year causing nitrates and DBCP levels to increase. Wells 15 and 16 in the Chino Basin produced 90% of SAWCo’s Operating Safe Yield (OSY) with water levels dropping 39 feet. Water levels in the Six Basins (Wells 26, 27A, and Well 25A) dropped another 4 feet in 2016 and Well 25A was taken offline due to lack of water. The watermaster maintained the OSY at 16,000 acre feet (AF). SAWCo recharged a total of 284 AF in the San Antonio Spread Grounds during the year. In addition, 347 AF of water was spread in the Cucamonga Basin via Basin 6(A), Basin 3, and Banyan Basin compared to 618 AF spread the previous year. SAWCo is now able to recharge into Chino Basin recharge basins; Brooks, College Heights, and Montclair via the San Antonio Channel.

Capital Projects for the Water Company included the Holly Drive Reservoir Design project to prepare for a 100,000 gallon reservoir to supply Holly Drive and the Forebay Weir Modification to facilitate irrigation deliveries. SAWCo continued to receive positive samples for their Tunnel water which prevented delivery of its water to domestic shareholders. A 4-Log inactivation period was required by the Department of Drinking Water (DDW) in order to put the Tunnel water back into the domestic system. SAWCo moved their disinfection system to Shaft 6 in order to achieve DDW’s requirement.

Studies completed in 2016 were the Urban Water Management Plan and the Edison Pond Expansion Study. The Water Rates and Fees Analysis and the Water Master Plan began in 2016 and 2015 respectively but have both carried over into 2017. SAWCo also began a New Office Feasibility Study in 2016 to determine the best location for the office and yard facilities to be brought together on one property.

Office Improvements made during 2016 included the purchase of a Stock Database and the replacement of the air conditioning unit.

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Operational Improvements in 2016 included the purchase of a Bobcat excavator, dirt compactor and turbidity meter. Pipeline and meter modifications were made to Well 16 to allow for more accurate meter reads. Relocation of a 16" irrigation line was needed due to development of the new Upland Ford on 20th Street.

Maintenance projects for 2016 consisted of Cla-Val maintenance and the continuation of the process needed for approval to repair the Cucamonga Crosswalls and desilt Basin 6.

SAWCo continues its water rights investigation in Mt. Baldy. The State Water Resources Control Board (SWRCB) is now involved. The investigation is being led by special legal counsel Fred Fudacz with Nossaman & Associates.

The Water Company continues to maintain a Facebook page, a website and a quarterly newsletter to keep their shareholders informed. During the year SAWCo 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.

Due to the continued drought SAWCo enacted the High Water Shortage Stage Alert and also lowered entitlement by 12.7% per water share.

SAWCo continues to be active in the San Antonio Creek Watershed Committee; the 2015 Sanitary Survey was completed during the year and staff participated in the 12th Annual Watershed Clean Up Day held on July 9th.

Upcoming projects for 2017 include the Cucamonga Basin Management Project and Well 15/16 Contact Time Tracer Study. The Water Master Plan and Water Rates and Fees Analysis projects will carry-over into 2017. The Holly Drive Reservoir Engineering and Design will continue into 2017 as well. Work will begin on Reservoir 7 – 500,000 Gallon Design Replacement, the Holly Drive Booster Variable Frequency Drive, and the Water Facilities Authority Pipeline Connection. The Concept/Design portion of the New Office Relocation Project will take place in 2017 and the Well 31 Biological Treatment Project has been put on hold pending Proposition 1 funding.

Maintenance Projects for 2017 include the carry-over of the Cucamonga Crosswalls and the Basin 6 Desilting projects. The interior recoating of Holly Drive Reservoir, and Well 19 and Well 24 Rehabilitation will also begin in 2017.

Capital Outlay Projects taking place in 2017 are comprised of the replacement of the low band radio and office telephones. SAWCo will purchase a small business server along with an updated document imaging system. The implementation of the Tyler Inventory and Work Orders Program will also take place in 2017.

Director Thomas asked if there were any questions about Mr. Moorrees' presentation. Seeing none he thanked Mr. Moorrees for his report.

Statement of General Counsel

Mr. McPeters spoke about the history of water in California as it pertains to mutual water companies.

Statement of Special Counsel

Mr. Fudacz spoke briefly about the water rights investigation in the San Antonio Canyon.

Directors Terms and Other Business – Director Thomas advised that state law requires four-year terms for directors. When the law went into effect SAWCo staggered director's terms by having four of the directors serve a four-year term and three serve a two-year term. After the two-year term positions were up for re-election the positions went to a four-year term. Four director positions are up for election this year. The nominees for the four positions are Director Bob Cable, Director Tom Thomas, Gino Filippi, and Jose R. Sanchez. Director Thomas inquired as to an additional nominees. Seeing none he asked for a motion to close the nominations.

Director Willis moved and Director Elliott seconded to close the nominations. Motion carried.

The total number of shares present totaled 138.0 with total number by proxy totaling 4359.90.

A voice vote was called to approve the slate of directors as presented. Motion carried.

Outgoing Directors Willis and Bozar spoke about their time on the Board and thanked the staff and remaining Directors. They then exited the dais and newly elected Directors Gino Filippi and Jose Sanchez took their places at the dais.

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].

Gene Sobel at 650 W. 25th Street inquired as to whether documents such as bids on projects were available to the public. Director Thomas responded that some documents such as meeting minutes and studies are available on the company website and other documents can be requested from the company office. He then explained the process of how a project gets approved by the Board.

Therese Enriquez at 869 W. 25th Street asked how many SAWCo Board members were residents in the San Antonio Heights. Director Thomas answered two members are Heights residents.

Director Elliott moved and Director Cable seconded to adjourn the meeting. Motion carried. The meeting was adjourned at 6:55 p.m.

For the record, it was noted that there were 19 shareholders signed in as attending the Annual Meeting; a total of 138.0 shares present and 4,359.90 represented by proxy.

Assistant Secretary
Charles Moorrees