

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, January 18, 2011

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 3:35 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Dr. Fred Gattas, Will Elliott, Tom Thomas, and Ken Willis. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and special counsel Fred Fudacz. Director Thomas presided.

- Call to Order
- Salute to the Flag

1. Recognitions & Presentations: None.

2. Additions-Deletions to the Agenda: None.

3. Shareholder-Public Testimony: None.

4. Consent Calendar Items:

- A. Approval of Board Budget Workshop Meeting Minutes
Regular Meeting Minutes of December 9, 2010.
- B. Approval of Board Meeting Minutes
Regular Meeting Minutes of December 21, 2010.
- C. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report.
- D. Administration and Finance Committee (AFC) Meeting Minutes
No meeting minutes to report.
- E. Financial Statement
Income Statement and Balance Sheet for November 30, 2010 and year-to-date.
- F. Investment Activity Report
Monthly Report of Investments Activity
- G. Water Production
Bi-Monthly water production [Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, Nov/Dec]
- H. Prominent Issues Update
Status summaries on certain ongoing active Issues.
- I. Projects and Operations Update
Status summaries on projects and operations matters.
- J. Groundwater Level patterns [Quarterly in April, July, October & January]
Tracking patterns of groundwater elevations relative to ground surface.
- K. Correspondence of Interest
 - Chino Basin Watermaster purchase of replenishment water.
 - Upland Heritage – Acknowledgement of bottled water donation
 - Response to San Bernardino County – SA Hts. Trail Project

Director Willis moved and Director Gattas seconded to approve the Consent Calendar Items as presented. Motion carried.

5. Board Committee – Delegate Report:

- A. **PVPA Representative's Report** – Director Thomas reported that PVPA has changed their monthly meetings from the first Wednesday to the second Wednesday of every month. This will allow for more current data for things such as spreading, rain fall, and financial reports from the previous month to be reviewed. Also, on January 5th due to the heavy rains the new three basins below the dam on the San Bernardino County east side had failed. More water went into Pit 6 than PVPA would have liked and they are trying to divert it to Pit 5.
- B. **Six Basins Representative Report** – Mr. Moorrees reported that the proposals were distributed to the appropriators in Six Basins. Each one was asked to evaluate each one of them with a weighted average. The Prominent Issues report lists this information.

Director Thomas stated that there were two companies that stood out from the others that were looked at.

Mr. Moorrees was surprised that most of the proposals were in the same fee range. He did mention that he unfortunately misplaced a proposal sent on disc by GeoScience and was unable to evaluate it before the deadline.

Director Thomas surmised that Six Basins would either take the top company or interview the top two companies.

(Director Brian Brandt entered the meeting at 3:39 p.m.)

Mr. Moorrees did state that he would be willing to go with Stetson Engineering as long as Steve Johnson was the representative.

Director Thomas also mentioned the possibility of moving the Six Basins meeting to the City of Claremont city chambers.

C. **Administration and Finance Committee (AFC) Chairman's Report** – No meeting held.

D. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No meeting held.

6. General Manager's Report:

A. **Annual Shareholder's meeting** – Mr. Moorrees mentioned that the process of appointing Inspectors of Election (IOE) is routine. SAWCo has asked all three IOE from the previous year to return this year. All three have agreed to serve.

Mr. Moorrees recommended the Board approve Pete Cherbak, Betty Garrison, and Donna Hawthorne as this year's IOE.

Director Dr. Gattas moved and Director Brandt seconded to approve the recommendation. Motion carried.

B. **Chino Basin-Sale of Stored Water** – Mr. Moorrees referred to the letter from Chino Basin Watermaster (CBWM) that was included in the meetings Correspondence of Interest. The letter inquired about any parties that were interested in selling their stored water at a rate of \$527 per acre foot (AF). SAWCo cannot sell to CBWM because they are not shareholders but they can sell to appropriators in Chino Basin (CB). The City of Upland, City of Ontario, and Monte Vista Water District (MVWD) are appropriators in CB and are shareholders in SAWCo. They are willing to purchase 880 AF, 60 AF, and 60 AF respectively at the tiered rate of \$466/AF which is not applied to their entitlements.

Mr. Moorrees pointed out that in the budget approved for 2011, SAWCo included sale of stored water revenue from Six Basins at 650 AF. Yet when approached, Three Valleys Municipal Water District (TVMWD) did not have a need to purchase that amount at this time. Selling stored water to CB appropriators would more than make up the difference for TVMWD not purchasing water from SAWCo's Six Basins account.

Mr. Moorrees recommended the Board approve management's decision to sell 1,000 AF of water from the Company's CB stored water account.

Director Elliott moved and Director Willis seconded to approve the sale of stored water from CB to the City of Upland, City of Ontario, and MVWD as presented. Motion carried.

C. **Service Agreements-End of the year water transfers** – Mr. Moorrees stated that SAWCo made the same transfer last year to the City of Upland pursuant to the same agreement. Mr. Moorrees reported that the water that SAWCo does not deliver to the City of Upland during the year it reconciles with a water transfer at the end of the year. This year the City of Upland is owed 895.19 AF of water. SAWCo also has a "wheeling" agreement with MVWD in which water is delivered to them from SAWCo thru the City of Upland. The remaining amount owed to MVWD is 252.456 AF.

Mr. Moorrees made a correction in that the budget will be impacted. The amount being sold to MVWD is at the base rate of \$182 AF which equates to \$45,947.

Mr. Moorrees recommended the Board authorize the manager to make the necessary end of the year 2010 transfers from its storage accounts to appropriate parties pursuant to their Service Agreements.

Director Elliott questioned whether this approval was necessary. He was under the impression that the transfer would happen automatically at the end of each year pursuant to the agreement and did not need to go through the Board.

Mr. Moorrees replied that the information can just be received and filed.

Director Thomas felt handling the transfers this way kept things a little more transparent. He felt it could be discussed in a future committee meeting whether or not to just receive and file the transfers every year.

Director Dr. Gattas moved and Director Brandt seconded to approve the manager's recommendation. Motion carried.

D. **Six Basins-First Amendment to Water Storage & Recovery Agreement** – Director Thomas reported that the amendment to the Water Storage & Recovery Agreement allows for SAWCo's water to be treated as native instead of imported which gives it high priority and lowers the possibility of it being lost in a storm event.

Director Thomas moved and Director Elliott seconded to approve and execute the amended Six Basins Watermaster and Water Company Storage & Recovery Agreement as presented. Motion carried.

- E. **Adopt Resolution No. 2011-01-01 401(K) Plan Document**– Mr. Moorrees stated that the plan document that was included in the Board packet is just a template. The new plan document is basically the same document SAWCo has with Southern California Mutual Water Association (SCMWA). Some corrections and changes have been made such as the classification of SAWCo to a 501c12. Distribution matching funds that were approved April of 2010 were also included. The plan document will go to the AFC on January 25, 2011 for review. The third party administrator agreement was also included in the Board Packet. This is the same administrator utilized by SCMWA. If SAWCo does begin utilizing California Public Employees' Retirement System (CalPERS), this 401K will be easy to roll over to a 457 plan.

Mr. Moorrees advised the resolution identifies the plan document as approved by the Board once they review the draft. A trustee needs to be named and a bond is required for the document itself. These details will be discussed at the AFC meeting. February 1, 2011 will be the start date of the new plan.

Mr. Moorrees recommended the Board adopt resolution no. 2011-01-01 401(k) Plan Document and trustee as presented.

Director Elliott questioned why it was being taken back to the AFC if the Board is looking to adopt it today. Mr. Moorrees stated that this item is just a template for adopting the plan in case there are any changes or corrections later on. Director Elliott inquired as to why the Board doesn't wait until after the AFC meeting when all of the changes are made. Mr. Moorrees replied that they are adopting a plan for the 401(k) document. He stated that the Board can adopt the resolution and plan document as revised as needed or is appropriate by the AFC.

Ms. Layton stated that she was not certain if SAWCo needed the adopted plan document by the February 1, 2011 implementation date. She did state that SAWCo's legal counsel said there was no problem in approving the resolution and moving forward.

Director Thomas stated that he thought that this was just setting up general guidelines that will allow SAWCo to move forward so that the new plan could begin in February. He inquired as to whether the Board could make the motion and subject it to the AFC looking at it and filling in the blanks and bringing it back to the Board. If SAWCo's legal counsel felt the resolution should be adopted at this meeting, he was confident that it was okay to move forward with it.

Mr. Moorrees stated that SAWCo's legal counsel did not find any problems with adopting the resolution at this Board meeting and making changes to the actual plan document later. Mr. Moorrees informed the Board that SAWCo will no longer be associated with SCMWA after the conclusion of the month. The plan document will not be in place until the president of the Board signs it. He suggested approving the resolution and the plan document as approved and revised.

Director Thomas inquired as to whether the Board was comfortable giving the authority to the AFC to fill in the blanks.

Director Elliott felt comfortable with that arrangement.

Director Elliott moved and Director Dr. Gattas seconded to defer recommendations by the AFC to the January 25th meeting. Motion carried.

- F. **December 2010 Storm Events-Emergency Repairs**- Mr. Moorrees expressed his appreciation for Ms. Layton and SAWCo's field personnel for their handling of the emergency while he was out of the office on vacation. The storm diverted the stream from the Edison Box and plugged up the facility. It also destroyed some check dams and took out some of the armament that was used to protect Shaft 9A and Shaft 9B. Water quality issues came about in the domestic tunnel as a result of the storm. Fortunately, the water was diverted prior to this so there were no health concerns for consumers. A chronology and pictures were provided in the Board packet. Mr. Moorrees went through and explained the photos.

Mr. Moorrees explained that the water could potentially breach SAWCo's tunnel spread ponds. Additional work from C.P. Construction was needed. The emergency work that was done totaled \$38,062. The City of Pomona has agreed to pay \$11,643.67 for their portion of the repairs. Mr. Moorrees requested additional emergency expenditures of \$50,000. C.P. Construction submitted proposals for two alternatives. One alternative has a cost of \$32,920 and the other has a cost of \$27,600.

Mr. Moorrees recommended the Board approve the emergency work done to date and expenses totaling \$38,062 with the City of Pomona sharing 40% of the cost for the San Antonio Creek bed and Edison Ponds/Box (\$11,643.67) and approve additional emergency expenses up to \$50,000.

Director Thomas questioned whether it would be beneficial to use concrete and steel along some of the banks. Mr. Moorrees replied that it would be an easy thing to do however getting permits from the Department of Fish and Game and other various environmental clearances would make it a regulatory issue if SAWCo did not keep it as natural looking as possible. Mr. Moorrees also advised

that there are no Federal Emergency Management Agency (FEMA) funds available for the project at this time.

Director Brandt moved and Director Gattas seconded to approve the emergency work done to date and expenses totaling \$38,062 with the City of Pomona sharing 40% of the cost for the San Antonio Creek bed and Edison Ponds/Box (\$11,643.67) and approve additional emergency expenses up to \$50,000. Motion carried.

Director Thomas inquired about hearing that SAWCo was diverting water from the Colonies Basin to Turner Basin and Turner Basin flooded. Mr. Moorrees explained that prior to the storms the San Bernardino County's (SBC) contractor needed to finish some Stage 2 work in the Colonies Basin and wanted to drain Basin A. Mr. Moorrees made arrangements with CBWM and Inland Empire Utilities Agency (IEUA) to divert the water into Turner Basin. In talking with CBWM, SAWCo was made aware that if any water was lost out of Turner Basin it would be taken from SAWCo's account. Mr. Moorrees estimated about 20 AF to 30 AF of water was lost.

G. **Project Status Report –**

- **Cucamonga Basin-Desilting project at crosswalls-** Director Thomas questioned the route at 21st Street and Campus Avenue that went around the Holliday Rock property. Mr. Moorrees reported that San Bernardino County Flood Control District (SBCFCD) wanted a letter from Holliday Rock allowing SAWCo to utilize 20th Street before issuing a permit. SAWCo has run into some difficulty in utilizing Holliday Rock property in the past. The contractor on the project is to set up a meeting with Holliday Rock but has yet to do so. Mr. Moorrees will speak with the City of Upland Public Works Director to find the dedication of the street. SAWCo may not need to utilize that route.
- **Well 25A – Drilling –** Mr. Moorrees met with Mark Roberts. A kick off meeting is pending. Mr. Roberts recommends carbon steel which will reduce costs but be just as effective as stainless steel.
- **Chronological History Documentation-**Should be completed in February.
- **Forebay Improvements-**The project is scheduled for the planning commission on February 3, 2011. SAWCo hopes to advertise the project in March or April and start construction by summertime.
- **Cucamonga Basin Management Plan-** SAWCo met separately with Wildermuth Environmental and needs to submit SAWCo's proposed beginning storage amount.
- **Feasibility Study-Edison & Tnl Ponds [Conserv. Levee]-** A kick off meeting was held with Camp, Dresser, and McKee (CDM). Director Thomas questioned whether the levee proposed would withstand a storm like the most recent one. Mr. Moorrees stated that with the lessons SAWCo learned from the 2005 storm and the most recent one they are looking at possibly putting in some concrete so that it doesn't wash away sluice gates for controlling water releases. He has spoken with the U.S. Forest Service and they are aware that SAWCo has the rights to do the work that is needed.

7. Closed Session:

Update on Water Rights Issue-Legal Complaint filed in Mt. Baldy (§54956.9 (c)).

Recessed to closed session at 4:14 p.m. Upon return Director Thomas stated that the Board gave special counsel some room to continue negotiations in this complaint. No final actions were taken.

8. Director's Comments and Future Agenda Items –

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 4:34 p.m.

Assistant Secretary
Charles Moorrees