

**SAN ANTONIO WATER COMPANY**  
**MINUTES OF THE SAN ANTONIO WATER COMPANY**  
**Tuesday, January 21, 2014**

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:04 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Ken Willis, Will Elliott, Sue Sundell, John Gerardi, Glenn Bozar and Bob Cable. Also in attendance were SAWCo's General Manager Charles Moorrees, and Accounting and Personnel Clerk Joni Ruggles as well as the City of Upland Public Works Director Rosemary Hoerning. Director Thomas presided.

- Salute to the Flag
  
- 1. Recognitions & Presentations: None.
  
- 2. Additions-Deletions to the Agenda: Mr. Moorrees made two additions to the agenda; Item 6F regarding the yard break-in and Item 6G regarding the drought emergency.
  
- 3. Shareholder-Public Testimony: None.
  
- 4. Consent Calendar Items:
  - A. Approval of Board Meeting Minutes  
Regular Meeting Minutes December 17, 2013.
  - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes  
No meeting to report.
  - C. Administrative & Finance Committee (AFC) Meeting Minutes  
No meeting to report.
  - D. Financial Statement  
Comparative Income Statement and Balance Sheet for November 30, 2013 and year-to-date.
  - E. Investment Activity Report  
Monthly Report of Investments Activity
  - F. Water Production  
Bi-Monthly water production [Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, Nov/Dec]
  - G. Prominent Issues Update  
Status summaries on certain on-going active Issues.
  - H. Projects and Operations Update  
Status summaries on projects and operations matters.
  - I. Groundwater Level patterns [Quarterly in April, July, October & January]  
Tracking patterns of groundwater elevations relative to ground surface.
  - J. Correspondence of Interest
    - Letter from Special Counsel, to USDA Re: Response to water rights investigation.
    - Letter from Special Counsel to SWRCB Re: Review of water rights documentation.
    - Customer letter regarding irrigation run off – Holly Drive
    - Chino Basin Water Conservation Ribbon cutting
    - RCAC Online workshops for the Board

Director Willis moved and Director Elliott seconded to approve the consent calendar as presented. Motion carried.

- 5. Board Committee – Delegate Report:
  - A. **Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported that PVPA met the previous Wednesday and discussed doing work on the PVPA land adjacent to the City of Ontario's Pit 6 to allow the water to flow around it. Bids have already been received for the project. Mark Wiley, who was the PVPA alternate for the City of Upland, has taken a job with the City of Chino Hills. A new alternate has been named to replace him.

- B. **Six Basins Representative Report** – Mr. Moorrees reported there is a Board meeting scheduled for the following day. Election of officers will take place during the meeting.
- C. **Chino Basin Representative Report** – Mr. Moorrees reported that on January 9<sup>th</sup> Annual Elections were held. Marty Zvirbulis from Cucamonga Valley Water District (CVWD) was appointed as chairman of the Appropriative Pool and Scott Burton from the City of Ontario was appointed as vice chairman. For the Advisory Committee the minor representatives are Monte Vista Irrigation Company and SAWCo. Second Vice Chair for the Advisory Committee's Appropriative Pool is Robert Young and the Pool Representatives to the watermaster board are Jurupa Community Services District, Robert Craig, and Monte Vista Water District (MVWD) who's representative has yet to be determined. The minor representative is Arnold Rodriguez with the Santa Ana River Water Company.

It was noted by MVWD that if elections were held as they were the previous time, SAWCo would have won the minor representative vote. The volume vote is based on production and if that was determined before voting took place SAWCo would have been elected. Ms. Layton advised the watermaster of this fact during the first meeting held after the elections and requested that future elections be held consistent with previous years.

A Safe Yield Recalculation Meeting was held on December 18<sup>th</sup> in which Wildermuth Environmental, Inc. (Wildermuth) presented information as to how developed yield is calculated. Depending on what time frame is used to calculate the safe yield, amounts can vary greatly. The Appropriative Pool sent a letter to watermaster requesting a more appropriate time period for the calculation and to allow Wildermuth to communicate with Bob Wagner and Tom Harder regarding Wildermuth's model.

The Advisory Committee met on December 19<sup>th</sup> and the Annual Report for the Land Subsidence Committee was adopted. The Advisory Committee volume vote was also approved. At the January 16<sup>th</sup> meeting, Advisory Committee Officers introductions for 2014 were made, annual business regarding investment policy was conducted, and the Advisory Committee volume vote was approved.

At the New Yield Allocation meeting held on December 20<sup>th</sup> a confidential table was distributed that showed the storm water unit cost analysis for the new yield calculation regarding the City of Fontana. With 11 million dollars in grant money and with Inland Empire Utilities Agency's (IEUA) participation there will be 9 million dollars for appropriators to pay which would cost \$375 per acre foot (AF). Scott Slater, general counsel for watermaster, wants the committees to come to an agreement. Mr. Slater met separately with IEUA, City of Fontana, and the Appropriators and feels that if Appropriators agree to pay for 100% project cost they will receive 100% of the water. Scott Burton with the City of Ontario made it clear that there is no offer as of this date from the Appropriators. Mr. Slater suggested the Appropriators think about and discuss paying 100% of the project and receive 100% of the water, safe guarding that doesn't cause harm and to view future projects as good faith negotiations.

A representative from CVWD brought up including eliminating City of Fontana from the watermaster but watermaster did not think it was a good approach. During the January 13<sup>th</sup> meeting the conclusion was that watermaster's attorney would craft a proposal for the Appropriators to consider.

City of Upland Public Works Director, Ms. Hoerning was asked to fill in on a workshop that took place earlier in the day. She advised that this is the fourth meeting with regard to the Operating Safe Yield Recalculation (OSYR). Typically OSYR is done every ten years and was to be looked at in 2010. An array of questions have been relayed to watermaster regarding the OSYR issue. In July some preliminary numbers were given which showed the Operating Safe Yield (OSY) going from 140,000 AF/year to 113,000 AF/year with a Santa Ana River underflow of 13,000 AF. Total available water for production every year is 130,000 AF. The Santa Ana River underflow water amount is required to be dedicated to the Desalter Production Obligation. There is also a requirement to

backfill the OSY with agricultural water. There has been a lot of discussion on the agricultural water issue. There is interest by parties that have agricultural land use conversions to see if they can change the prioritization of water that was established and solidified by the courts in 2010. Another workshop on this topic will be held to talk about the base period. The Peace II Agreement hardwires in the base period from 2000 to 2010. This does seem to be the worst time to look at the inflows, outflows and changes in the basin due to the fact that the desalters hadn't come into play during that time period among other items. Watermaster will be looking at the merits of utilizing a broader period of time that is more representative. If they change the base yield timeline it may provide a better picture of what the OSY should be and not penalize the parties in terms of a lower OSY than what would be representative. Also to be discussed at the next meeting will be watermaster's notice to the parties as to what the new OSY will be. Watermaster is required to give a five year notification period. Updates have been given every year as a matter of routine business but there has not been any real substance to what the new OSY would be. There will be discussion what is the appropriate implantation period for the final OSY.

Director Gerardi stated that there seemed to be some motivation on the part of watermaster's legal counsel to support the City of Fontana's cause on the capture of storm water run-off. He questioned what the motivation would be. Mr. Moorrees replied that watermaster claims Fontana want to be good stewards but it appears to be from a financial point of view rather than from a water point of view. SAWCo has stated what they do not want and Fontana continuously circumvents that.

Ms. Hoerning stated that Scott Slater, legal counsel for watermaster, was charged with creating a straw-man proposal to bring back to the parties. The proposal would have the Appropriators paying for the capital cost of the project. The parties do not want to see an individual party who does not have any OSY in the basin get access to storm water. Under the judgment it is suppose to be given to the members of the Appropriative Pool who have OSY. Ms. Hoerning believes Mr. Slater will try to resolve the issue and avoid court.

The Appropriators are concerned that this issue will set precedence and other agencies will attempt to capture storm water. Ms. Hoerning advised that there are several projects that the watermaster has slated to capture storm water and recharge it into the ground. The position that the Appropriators are taking is that they should follow the same process that has been developed for all projects. If this project has merits in terms of capturing storm water for recharge and for beneficial use it can be funded in that matter but it can't be funded with an entity that is not an Appropriator who is getting use of the water.

Director Willis commented that any kind of change that is proposed is often made to look like something that it truly isn't.

Director Thomas questioned whether there was a court mandated deadline for when the OSY needed to be determined by. Ms. Hoerning replied that it can continue to be discussed as it doesn't have a sense of immediacy though it is supposed to be recalculated every 10 years.

Director Thomas also inquired about storage accounts in Chino Basin. Ms. Hoerning reported that there is quite a bit of storage water in Chino Basin. An item that needs to be discussed is how storage water agreements are implemented.

- D. **Administration and Finance Committee (AFC) Chairman's Report** – No report was given due to no meeting being held.
- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No report was given due to no meeting being held.

6. General Manager's Report:

A. **Service Agreements – End of the year 2013 water transfers** – Mr. Moorrees advised the report presented is to reconcile water deliveries and transfers based on service agreements with the City of Upland and MVWD. SAWCo did not deliver 2,296.26 AF of the City of Upland's entitlement to them during 2013 which requires a transfer of that amount out of SAWCo's storage account in Chino Basin. SAWCo also did not deliver 3.69 AF of MVWD's entitlement to them in 2013 which they will transfer to them via their Chino Basin storage account as well

Mr. Moorrees stated that this was just to update the Board and to receive and file the information.

Director Elliott moved and Director Bozar seconded to receive and file the 2013 End of the Year Water Transfer report. Motion carried.

B. **Annual Shareholder's Meeting** – Mr. Moorrees reported that although there is not going to be an election during this year's shareholder meeting, Donna Hawthorne, Pete Cherbak and Betty Garrison have agreed to revising their roles as Inspectors of Election at this year's meeting.

Director Elliott moved and Director Cable seconded to approve the Inspectors of Election for the upcoming Annual Shareholder's Meeting. Motion carried.

C. **Final Forebay Project Improvements** – Mr. Moorrees stated that in budgeting for CY2014 he had anticipated the Forebay Project being completed in 2013. With that thought only \$50,000 was budgeted for closing costs, however, the release of contractor's retention was not included. The remaining balance to be paid to Pacific Hydrotech is \$183,682.80, to KSM Electric is \$29,401.00, and to Civiltec Engineering is \$10,349.00.

Mr. Moorrees recommended the Board appropriate an additional \$233,433.00 to cover the remaining contract balances that include the release of retention for remaining Forebay Improvement project.

Director Thomas inquired as to whether any foreseeable costs could arise. Mr. Moorrees stated the \$50,000 carry over approved by the Board for the CY2014 Budget was for that purpose. The only additional cost at this time is the fire departments request for illuminated signs at the facility. Mr. Moorrees is having the signs made to place on the Forebay building.

Director Gerardi moved and Director Willis seconded to approve appropriating an additional \$233,433.00 to cover the remaining contract balances including the release of retention for the Forebay Improvement Project. Motion carried.

D. **Conservation Programs Update** - Mr. Moorrees reported on the water company's conservation efforts. A list of rebates and programs SAWCo participates in through IEUA was provided as well as the number of SAWCo customers who utilized those programs during IEUA's 2013-2014 fiscal year as of October 31, 2013.

Mr. Moorrees reported that SAWCo has new meters that are equipped with 'data loggers' that can aid in detecting possible leaks. Information obtained during meter reads is analyzed and automatic phone calls are placed to those customers that may have potential leaks.

Mr. Moorrees also stated that the water company continues to educate its retail customers on conservation by distributing conservation literature and items at special events such as SAWCo's Annual Shareholder's Meeting (April), Citizens Patrol Pancake Breakfast (May), Water Fair (October), and San Antonio Heights Association meeting (November). In the past SAWCo has also participated in the Lemon Festival held the last weekend in April but has opted out this year due to the new requirement that booths stay open until sometimes as late as 11 p.m.

The Board approved an increase in the water conservation program from \$3,000 in CY2013 to \$10,000 in this budget year which will enable staff to enhance its current programs for shareholders.

**E. Project Status Report –**

- **Forebay Improvements [CY2013 Budget \$1,932,798]** – Pictures were shown of how the Forebay looked previous to the work being done and what it currently looks like. The wrought iron fence is currently being installed. The miox system start up will be at the end of January.
- **Well 26 Rehabilitation - Replace pump** – The well has been pulled and the equipment will be examined to determine what needs to be done. The pump will be replaced to better perform with the dynamics of the basin.
- **Well 32 Rehabilitation - Replace submersible with vertical turbine** – Test pumping of the well showed it can pump more than originally thought. The submersible will be replaced with a vertical turbine based on the deviation study. The well will be pulled tomorrow.
- **Well 25A – Site Improvements per City CUP** – The project has been advertised for selective bids. The bid opening will be on February 7<sup>th</sup> and will be presented to the Board on February 18<sup>th</sup>. The preconstruction meeting will be held March 7<sup>th</sup> and construction will begin shortly thereafter.
- **WFA Pipeline Connection** – One minor revision is being made to the plans to include solenoid operated motor control valve which Civiltec Engineering is currently working on. The item will be presented at the WFA TAC Meeting in March.
- **Cucamonga Basin - Desilting project at crosswalls** – Due to the declaring of a drought by the governor of California, environmental laws for conservation projects have been suspended. This will likely streamline the process for approval for the crosswalls project as well as the Basin 6 project. A meeting with the City of Upland is scheduled for the following week to see how to fast track these projects. A proposal from the environmental consultant on how to move forward is expected shortly.

**F. Yard Facility Break-in** – Mr. Moorrees explained that on Saturday morning around 5:50 a.m. staff was alerted by the security system of an individual with a flashlight going through equipment at the Yard Facility. Mr. Moorrees advised the security company to alert law enforcement of the break-in. Field staff arrived shortly thereafter along with law enforcement. The perpetrator was arrested and is being charged with grand larceny. He had 10 of the water company's scrap meters in his bag.

**G. Drought Emergency** – Mr. Moorrees stated that the drought emergency declaration by the governor and the suspending of environmental laws for conservation will help SAWCo move forward with its Basin 6 and Cucamonga Basin Crosswall Desilting projects. Though this suspension of environmental laws for conservation will help, SAWCo is proposing and recommending changes due to the affect the drought will have on water supplies. First, reducing the entitlement by 18.5% may be implemented due to a two year drop in ability to deliver the full amount. Secondly, staff will be looking at the drought contingency plan and determine what stages of conservation need to be implemented and when. Also, negotiating with shareholder entities for baseline Tier 1 delivery from Metropolitan Water District (MWD) for possible delivery through Water Facilities Authority (WFA). Mr. Moorrees met with WFA and IEUA to discuss the possible use of MWD water as well as the possibility of direct delivery. Direct delivery appears to be quite expensive when considering the base rate, tier rate and penalty fees. SAWCo does not have any capacity in the WFA and will probably have to pay a buy in to deliver import water thru the WFA.

Mr. Moorrees will be making his recommendations to the PROC meeting in January.

Director Gerardi inquired as to whether SAWCo's facilities are uniformly impacted by the drought. Mr. Moorrees replied that the fact that there is no snow pack has caused surface water flows to reduce dramatically as well as tunnel flows. The watershed is the biggest single issue with regard to the impact of the drought. Groundwater well levels are dropping because surface water is not being recharged. SAWCo is producing their OSY as well as some stored water in Chino Basin and overpumped their rights in Cucamonga Basins.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items: Director Sundell questioned what the deadline was to attend the workshops for Board members. Mr. Moorrees advised he would send out an email to the entire Board with deadline information. Director Gerardi inquired whether these workshops were mandatory or voluntary. Mr. Moorrees replied that according to the Assembly Bill Board members are required to take these courses within a two year time frame. Whether or not this is followed up by the powers is unknown.

Adjournment: There being no further business the meeting adjourned at 5:54 p.m.

Future Meetings:

- The next Regular Board Meeting will be held on Tuesday, February 18, 2014 at 5 p.m.

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Assistant Secretary  
Charles Moorrees