

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, February 15, 2011

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:03 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, Mark Hill, Tom Thomas, Brian Brandt, and Ken Willis. Also in attendance were SAWCo's General Manager Charles Moorrees, and Assistant Manager of Administration and Finance Teri Layton. 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 Meeting Minutes**
Regular Meeting Minutes of January 18, 2011.
- B. **Planning, Resources, and Operations Committee (PROC) Meeting Minutes**
No meeting minutes to report.
- C. **Administration and Finance Committee (AFC) Meeting Minutes**
Meeting Minutes of November 30, 2010.
- D. **Financial Statement**
Income Statement and Balance Sheet for December 31, 2010 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 ongoing 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**
 - FEMA Briefing set for those affected by storms.

Director Brandt moved and Director Dr. 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. A new member from Pomona has been elected and now all three elected positions have been filled. With regards to the issues involving the San Bernardino County side berms below the San Antonio Dam; PVPA feels that it is more of a Six Basins issue due to the fact that it is not on PVPA land. There are a variety of options to correct the problem, from a simple repair to building it as a more substantial structure. It still can be used for some spreading just at a slower rate.
- B. **Six Basins Representative Report** – Ms. Layton reported that the officers for the Six Basins Watermaster will remain the same for the year. The Board reviewed and commented on the results of the evaluations for the administrative and technical service proposals received. The executive committee was going to interview the top proposal, Wildermuth Environmental, Inc. (WEI). Director Thomas clarified that they are going to interview WEI but they will do it at a non-voting meeting. Ms. Layton stated it will take place on Wednesday, February 23rd.
- C. **Administration and Finance Committee (AFC) Chairman's Report** – Director Willis reported that discussions at the AFC meeting included grant funding. SAWCo found that they do not qualify for grant funding at this time but will monitor it for the future. A Record Notice of stock ownership was prepared to help prevent properties in SAWCo's domestic system from transferring owners but not transferring shares. A 401(k) benefit plan resolution was discussed and will be brought up in the General Manager's Report portion of the meeting. A status report on the History Documentation and Conservation Update was given as well.
- D. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No meeting held.

6. General Manager's Report:

- A. **Record Notice of Stock Ownership** – Mr. Moorrees reported about it being problematic in dealing with shareholdings when there is a transfer of property and the shares are not appurtenant to land. Recent foreclosures have made the problem more difficult. The idea is for this notice to show up on

the title reports in connection with pending sales and alert the lender to see the notice included in the deed of trust. The notice included in the Board packet was crafted by SAWCo legal counsel.

Mr. Moorrees recommended the Board approve the notice as presented to be recorded with the San Bernardino County Recorder.

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

- B. **Adopt Resolution No. 2011-01-01 401(k) Plan Document** – Mr. Moorrees reported that this document was presented to the Board at the January Board meeting and subsequently deferred to the AFC due to questions on the blank areas of the template. At the AFC meeting some limited conversation took place with SAWCo's Third Party Administrator (TPA) Robert Reeves to address some questions. Remaining questions were addressed when Mr. Reeves attended a staff meeting at SAWCo's office later that week. Comments regarding this are shown in the report provided in the Board packet. Mr. Moorrees stated that this is the template that will create the plan document moving forward with SAWCo being the sole sponsor. It also establishes a trustee and the liabilities of the trustee should he or she misplaced or misdirected funds. This is a participant directed fund so there is limited liability for the trustee because trustee does not direct the investments for the employees.

Mr. Moorrees recommended the Board approve the plan document and the trustee designation and adopt the resolution presented No. 2011-01-01 401(k).

Director Brandt inquired about page 17 under the service match portion. He wondered if the figures represented what SAWCo would be contributing to the individual employees. Mr. Moorrees replied that it was but that it was misleading. Mr. Moorrees explained the formula used was based on the minimum employee match of 1 ½ percent to arrive at the numbers presented and explained that the percentage contribution approved by the Board in February 2010 was based on percentage of salary. Director Thomas questioned if the percentages were based on years of service with SAWCo. Mr. Moorrees replied that they were. Director Dr. Gattas expressed his confusion with the percentage totals given. Director Brandt requested inserting additional language to clarify what percentage SAWCo was contributing to the 401(k) plans. Director Thomas questioned whether the item can be approved subject to Director Dr. Gattas and Director Brandt agreeing with the wording. Mr. Moorrees agreed that was an option.

Director Brandt moved and Director Hill seconded to approve the plan document, the trustee designation, and adopt Resolution No. 2011-01-01 401(k) subject to Director Brandt and Director Dr. Gattas' approval of the additional verbiage clarifying the percentage contribution. Motion carried.

- C. **401(k) Third Party Administrator (TPA) Agreement** – Mr. Moorrees stated that the legal counsel has reviewed this agreement and in doing so has revised portions of it. Director Thomas questioned whether this was the same TPA SAWCo had previously with Southern California Mutual Water Association. Mr. Moorrees replied that it was.

Director Dr. Gattas moved and Director Brandt seconded to approve the TPA agreement as presented with Raymond, Reeves & Stout, LLP and authorize engaging with Raymond, Reeves, and Stout. Motion carried.

D. **Project Status Report** –

- **December 2010 Emergency Storm Repair** – Mr. Moorrees reported that at the end of January 2011 the President did declare an emergency and authorized FEMA funds to be available for those who have been impacted by the storms. Staff attended a FEMA briefing the previous week and will be making a request for public assistance. Up to 75% of what has already been spent can be recovered as well as future repairs to complete the remaining work.
- **Tunnel Pipeline Improvement** – Complete pending cleaning out the tunnel pipeline and lining it to address water quality issues.
- **Well 25A – Drilling** – Mr. Moorrees reported that drilling will begin in June or July 2011. The project was approved by the City of Upland's Planning Commission back in 2005.
- **Urban Water Management Plan** – SAWCo had their legal counsel submit a legal opinion on whether or not SAWCo would need to adhere to the Senate Bill SB7x7. Legal counsel felt SAWCo had every right to opt out because they do not meet the requirements. Mr. Moorrees will bring the legal opinion to the next PROC meeting.
- **Chronological History Documentation**- On schedule to be completed this month.
- **Cucamonga Basin Management Plan**- SAWCo is working with City of Upland in getting a permit application to utilize 20th Street as their haul route and exit location.
- **Forebay Improvements** – Staff went to the planning commission 10 days ago and the project was approved subject to any appeals. Ten days was given to appeal and SAWCo has not heard of any appeals being received.
- **Water Rights Investigation** – Activity – Mr. Moorrees hopes to have a follow up meeting this month with the United States Forest Service. Blake Slater has installed his meter and there's a case management conference scheduled for February 25th for Paul Ridgeway.

- **Feasibility Study-Edison & Tnl Ponds [Conserv. Levee]**- SAWCo met with Camp, Dresser, and McKee (CDM) and discussed some possibilities for expanding the facilities.

(Director Brandt exited the meeting at 5:25 p.m.)

Director Dr. Gattas inquired about an update in the Paul Ridgeway case. Mr. Moorrees reported that Mr. Ridgeway's answers for the discovery were due the previous day but he had not heard word from special counsel with regards to it. There is a mandatory case management conference scheduled for February 25th.

7. Closed Session: None.
8. Director's Comments and Future Agenda Items – None.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:28 p.m.

Assistant Secretary
Charles Moorrees