

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, February 18, 2014

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:06 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, Assistant Manager of Administration and Finance Teri Layton, and Accounting and Personnel Clerk Joni Ruggles as well as the City of Upland Public Works Director Rosemary Hoerning, Monte Vista Water District's Justin Scott-Coe and the City of Ontario's Ryan Shaw. Director Thomas presided.

- Salute to the Flag

- 1. Recognitions & Presentations: Mr. Moorrees placed on the dais a copy of Resolution No. 2006-06-03 for Item 6D, a calendar for the month of March for the proposed Forebay ribbon cutting, and a baseball cap with SAWCo's logo for the Board to wear at the ribbon cutting.

- 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 January 21, 2014.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Approve October 29, 2013 meeting minutes.
 - C. Administrative & Finance Committee (AFC) Meeting Minutes
No meeting to report.
 - D. Financial Statement
Comparative Income Statement and Balance Sheet for December 31, 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
 - Press release from DWR regarding State Water Allocation to Zero.
 - Lawmakers preparing \$644 million drought relief bill.

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 is finalizing their conditional approval letter for Holliday Rock Company to approach the City of Upland about long term mining plans. PVPA wants to make certain the work that Holliday Rock Company does enhances PVPA's water spreading operations.

PVPA is also a major member of Six Basins Watermaster who is working on their master plan. As the master plan is being worked on some issues and improvements in land owned by PVPA are

being noticed which will lead to a long term capital improvement and maintenance program being created.

- B. **Six Basins Representative Report** – Mr. Moorrees reported that the annual election of officers took place at the most recent meeting. There was consensus to keep the officers the same as were currently on the board. It was reported at the meeting that the watermaster is currently under budget. There is also a strategic planning meeting scheduled on the groundwater model with a complete report expected by March 31st. The baseline will be evaluated by June 30th with a model result and the adoption of the strategic plan by January 2015.
- C. **Chino Basin Representative Report** – Ms. Layton reported that on February 13th the Appropriator Pool met and approved SAWCo's 2013 year end water transfers to the City of Upland and Monte Vista Water District (MVWD) which will now go to the Advisory meeting for approval.

A letter was received from Santa Ana Regional Water Quality Control Board indicating that hydraulic control may have been reached. Watermaster will be working on the details and the timeframe it pertains to. Reaching hydraulic control will mean that Watermaster will stop assigning losses to stored water.

A proposal was prepared by the Appropriators regarding the City of Fontana's motion. A letter was sent from the City of Fontana rejecting any sort of proposal. SAWCo will be working with some of the other Appropriators on polishing a previously prepared pleading for filing.

Recalculating the safe yield was discussed in closed session. The Appropriators requested Watermaster work with consultants Bob Wabner and Tom Harder on answering questions regarding the methodology. The proposed time period for determining the safe yield does not seem to be the best time period so the consultants are working with Watermaster to come up with a better time period.

- 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** – Mr. Moorrees stated the items discussed at the PROC meeting are covered in the General Manager's Report section of this meeting. One topic discussed at the PROC meeting was the issue regarding local water privatization. The committee has some concerns about this and will prepare a written notice/response. Discussions of the legality of such privatization and SAWCo's response will take place in closed session after SAWCo's Annual Shareholder's Meeting in April.

6. General Manager's Report:

- A. **Disposition of Model A Truck** – Mr. Moorrees reported that the old Model A truck at the Yard was last used in the 1970's to pull Well and Booster motors. It has been inactive since and moved from one location to another with its final resting place at the Water Company's Yard facility. Along with the motors it has become a nuisance and impediment for working within the confines of the small yard space.

Mr. Moorrees previously presented this information to the PROC who asked that the information be presented to the Board to determine any interest in reconditioning the truck. The trucks only use after reconditioning would be to use it at promotional events such as an Upland parade. Research of the value of a restored Model A truck showed a range from \$19,000 to \$53,000 but there is the possibility that it may cost more than that to restore it.

Mr. Moorrees recommended the Board approve to either dispose of the existing Model A truck and motors located at the Water Company's Yard facility or keep it for historical purpose.

Director Thomas suggested keeping it for a few more months to see if SAWCo receives any interest from a party desiring to restore it. If not, then look into other options.

Director Elliott suggested offering it to a shareholder who can restore it in exchange for being able to use it at local events.

Director Cable offered to store the truck until it was determined if it could be restored.

There was consensus on the Board to keep the truck for a few months with possibility of finding an individual interested in restoring it.

- B. **19th Street Development in Upland – TR# 18667** – Mr. Moorrees stated he presented this track development when it was first proposed. It is located on 10.31 acres of land on 19th Street just west of Campus Avenue. SAWCo operates an active booster line that runs beneath the property. One of the requirements for the development is to relocate this booster line within rights of way and easements of the track development at the developer's expense. The estimate for this work is \$355,445. Additionally, the developer is responsible for providing an easement for the new booster line on the track recordation.

Mr. Moorrees requested the Board approve to Quitclaim the existing waterline easement upon relocation of the waterline and recordation of the new pipeline easement. Wording in the owner's statement on the track map will secure SAWCo's superior rights.

Director Thomas questioned the issue of whether or not the relocation is done from the north side or south side of 19th Street. Mr. Moorrees replied that staff wanted the developer to make the connection on the north side of 19th Street due to the depth, difficulty and condition of the pipeline. The developer questioned whether SAWCo would cover that additional cost. That request was brought to the committee which recommended the developer cover those costs. Mr. Moorrees will bring that information to the developer. It is a relatively small amount and he feels the developer will be accepting of the committee's decision.

Director Elliott moved and Director Gerardi seconded to approve the Quitclaim of the existing waterline easement upon relocation of the waterline and recordation of the new pipeline easement. Motion carried.

- C. **Award Contracts for Well 25A Site Improvements** – Mr. Moorrees stated that in 2012 SAWCo drilled and equipped Well 25A. A condition of approval by the City of Upland for the project was that SAWCo would provide site improvements on the five acre property the well is located on. Onsite improvements include access roads, storm drain retention, perimeter wall, concrete driveway, sidewalks, landscaping, and street lights. The site improvement plans have been approved by the City of Upland and the project went out for selective bids. Schedule A is for the onsite and offsite improvements, Schedule B is for the perimeter wall which was sole sourced to Artisan Precast, the same contractor that installed the City of Upland wall neighboring the site. Schedule C is for the parkway landscaping. Bids were opened on February 7th with winning bid for Schedule A and Schedule C going to R.C. Construction.

Mr. Moorrees recommended the Board award Schedule A in the amount of \$95,860 and Schedule C in the amount of \$46,456 to R.C. Construction totaling \$142,316; and Schedule B sole source to Artisan Precast in the amount of \$75,992.40 with a total of \$218,308.40 and a 10% contingency of \$21,830.84 totaling \$240,139.24.

Director Sundell moved and Director Bozar seconded to approve the general manager's recommendation to award Schedule A in the amount of \$95,860 and Schedule C in the amount of \$46,456 to R.C. Construction totaling \$142,316; and Schedule B sole source to Artisan Precast in

the amount of \$75,992.40 with a total of \$218,308.40 and a 10% contingency of \$21,830.84 totaling \$240,139.24.. Motion carried.

- D. Water Supply – Drought Contingency Options** - Mr. Moorrees reported that back-to-back record dry years have impacted SAWCo's water supplies and the governor has declared a water emergency. Annual entitlements for shareholders are based on a 10-year average of water available, prorated among the outstanding shares. This supply made available is a combination of the Water Company's existing groundwater rights in the three adjudicated basins and its ability to produce that water, plus Tunnel water flow, and surface water flows. This entitlement has not changed in the last 10 years because it has averaged out to be in and around the current entitlement. However, at the rate the water supply is decreasing the Water Company will not be able to deliver current entitlement to its shareholders.

Mr. Moorrees presented the following recommendations at the PROC meeting to consider for Board action:

1. Reduce shareholder entitlements 18% from 16,573.85 acre feet (AF) to 13,590.557 AF based on the reduced water delivery in CY2013 effective March 1, 2014 with adjustments as appropriate as flows increase as the average flows beginning CY2011 at least 18%.
2. Based on the adopted Resolution for Drought Contingency implement the "Moderate Shortage Stage" conservation measures as identified in the resolution sans the odd even days for irrigating.
3. Explore options to negotiate with entity shareholders [Upland, Ontario, MVWD, Chino] to receive import water deliveries through the Water Facilities Authority (WFA) by purchasing unused untreated volume Tier 1 rate at \$593/AF. One advantage is that this year Metropolitan Water District (MWD) has raised the Tier 1 baseline. The full service treated volumetric cost per AF is \$890.
4. Staff met with Inland Empire Utilities Agency (IEUA) and WFA representatives to discuss options for delivery of imported water supply through the WFA. Based on the discussion, besides the institutional hurdles with respect to the current JPA membership, the Water Company would purchase current Tier 2 rate structure for full service treated volumetric rate at \$1,032/AF.

Resulting discussions at the PROC meeting led to the recommended action for the Board as follows:

1. Reduce of entitlements up to 18% to take effect March 1, 2014.
2. Implement the Moderate Shortage Stage per Resolution No. 2006-06-03 without the requirement for odd/even irrigation days based on addresses.
3. Not raised at the PROC, but recommended by staff is to increase the Tiered rate accordingly up to 18% from \$1.13/hcf to \$1.33/hcf. This action will provide extra incentive for shareholders to stay within their entitlement. This raise in the Tiered rate would not affect shareholders with service agreements. Sale of Stored Water rate is negotiable.

Reduced revenues of \$409,401 are expected but can be mitigated if SAWCo is able to sell 1,000 AF of water at \$492/AF.

Director Thomas pointed out that the governor is recommending reducing water usage by 20% and SAWCo is asking for even less of a reduction. He also believed that adding another tier would require a public hearing. Mr. Moorrees replied the request is to increase the tier rate not add a tier. SAWCo's legal counsel stated no public hearing was needed as SAWCo is a private company.

Director Bozar inquired about the previous times SAWCo found it necessary to purchase water. Mr. Moorrees recalled the 2004 purchase of water from the City of Upland was due to a dry year. Water was received via a City of Upland booster station and only lasted roughly a week. SAWCo has made improvements to their system since that time to alleviate the need to purchase water.

Director Gerardi asked for clarification on the portion of the recommended item 1 where it mentions reduction of entitlement by 18% with adjustments as appropriate as flows increase as the average flows beginning CY2011 at least 18%. Mr. Moorrees replied that CY2011 was considered a normal year for rainfall. If SAWCo can regain flows to the levels they were in 2011 entitlements can be adjusted.

Director Willis commented that the drought situation could be the new normal. He encouraged the review of SAWCo's drought plans as well as identifying at what time those plans should be implemented.

Director Elliott remarked that the press has done a relatively good job in getting the drought message across. Based on history, the expectation is another 10 dry years ahead. Population and agriculture seem to be the main water users in California and population isn't decreasing rapidly. Director Elliott felt lack of water will continue to be a big issue and that motion should be made at this meeting to encourage reduction in water consumption.

Director Thomas noted that a number of editorials questioned why these reductions were recommended by the governor and not required. SAWCo reducing consumption by 18% and asking shareholders to use good water practices is not unreasonable.

Director Bozar attended an IEUA conference where it was apparent that there is a huge disconnect between the water producers, cities, and the users. There is no drought in the eyes of the cities. Director Bozar described an incident in which he spoke with a local city about reducing the 170,000 gallons used on an industrial building's irrigation and was advised he'd be in violation of a city ordinance that sites customers for dead or brown landscaping. He advised cities to review their codes to make sure they are not discouraging and/or penalizing the reduction of water usage by customers.

Ms. Hoerning thanked SAWCo management for contacting her in advance to advise her of the anticipated reduction in entitlement. She stated the 18% decrease in allotment does affect the City of Upland from the standpoint that last year they used more water than they would be entitled to if the reduction passes. City of Upland has experienced lowering groundwater levels and limited resources from canyon flows just like SAWCo. It has not run its San Antonio Canyon Water Treatment Plant since August of 2012 for those reasons. Ms. Hoerning asked for flexibility in the change in entitlement; should the water supply be restored then adjustments to entitlement should be prompt.

In regards to the City of Upland's code enforcement, Ms. Hoerning stated the City does not have any ordinances against homeowners or business owners putting in drought tolerant plants or landscaping. Dead grass or weeds are not allowed because there is a need to keep the communities within a certain level of quality for property values to stay high.

Director Thomas commented that if there is more water available SAWCo will want to deliver it. Most of the water supply is from basins upstream from Chino Basin. If those basins fill up they may overflow into Chino Basin so it is important for SAWCo to deliver the water it has so as not to lose it.

Mr. Moorrees stated that SAWCo currently has a project for a WFA pipeline connection to deliver groundwater from their Six Basins wells via the WFA to shareholders. The project should be presented to the WFA advisory committee and their board in March.

Director Cable felt the increased tiered rate needed to be extended to all shareholders, not just domestic. He also stated that the entitlement should be adjusted back to its original amount should water levels rise to normal level.

Director Gerardi asked for amplification on statements made about equalizing the impact against all users. Mr. Moorrees replied that the tiered rate is applicable to all of the domestic and irrigation customers. However, the service agreements that SAWCo has with the City of Upland, MVWD, and the City of Ontario doesn't provide the tiered rate but they are not allowed to go over their annual entitlement.

Director Cable stated that the tier increase should apply to those shareholders that have service agreements due to the revenue that will be lost due to the 18% reduction.

Director Elliott moved and Director Cable seconded to reduce entitlement by 18% with an adjustment provision for increased water flows, implement the "Moderate Shortage Stage" conservation measures as identified in the Resolution for Drought Contingency without the odd even days for irrigating, and increase the tiered rate from \$1.13/hcf to \$1.33/hcf.

Director Gerardi commented that the tiered rate increase should be carefully considered. He felt the item should go to the AFC for more study before an increase be implemented.

There was continued discussion on the tiered rate increase and increasing water conservation items for shareholders to reduce their water consumption.

After discussions ceased the motion carried unanimously.

- E. **Chino Basin – Notice of Available Overlying Non-Ag Water** – Mr. Moorrees reported that by December of each year, the members of the Overlying Pool are required to notify the Chino Basin Watermaster of the amount of water each member shall make available for purchase by the Appropriative Pool members. SAWCo is a member of the Appropriative Pool.

Currently stored water is available for purchase. SAWCo's allocation of this stored water is 110.943 AF at a reduced import water rate of \$486.26/AF, which is less than SAWCo's tiered rate of \$496/AF.

Mr. Moorrees recommended, and the PROC agreed, purchasing this water for a total of \$53,946.92. This was not budgeted in CY2014, but the intent is to sell this water to an entity shareholder in Chino Basin at some point in the near future at SAWCo's tiered rate.

Director Bozar moved and Director Gerardi seconded to approve the purchase of 110.943 AF of available water from Chino Basin at the cost of \$53,946.92. Motion carried.

- F. **Proposed Schedule for Forebay Ribbon Cutting Ceremony** – Director Thomas suggested looking at the days on the calendar that made the most sense to have the ceremony and then email those four or five dates to the Board members and get a consensus on which day is the best. Mr. Moorrees replied that was a good idea and that staff was looking at having the ceremony sometime after the Annual Shareholders Meeting in April.

It was agreed that Mr. Moorrees would email all Board members some dates for the month of April to hold the ceremony and the Board members would reply with their availability.

- G. **Water Supply Information Letter** – Mr. Moorrees stated that at the October 2013 PROC meeting there was discussion on the Water Company's ability to provide fire protection to domestic customers and what kind of notification, if any, is being given to them. For new developments requesting water service, the Water Company provides a Will Serve Letter after careful review of

their building and landscape plans. This letter identifies ability to “provide or maintain for fire protection purposes an adequate water supply or pressure or any equipment or other fire protection facility or service. The Company expressly disclaims any responsibility for any death or injury to a person or damage to or loss of property resulting from fire.”

One of the suggestions offered was to have legal counsel draft a letter to be included in paperwork mailed during stock transfers and bring it to the Board for approval. Staff presented a “draft” letter at the January 2014 PROC meeting borrowing the same language included in the Will Serve letter to provide the necessary information.

Director Gerardi moved and Director Willis seconded to approve the water supply letter that will be provided to new shareholders as presented. Motion carried.

H. **Project Status Report –**

- **Forebay Improvements [CY2013 Budget \$2,125,818]** – The Forebay is completed pending the final retention and pay request.
- **Well 26 Rehabilitation - Replace pump** – The well has been pulled and the equipment is being reconditioned.
- **Well 32 Rehabilitation - Replace submersible with vertical turbine** – The well has been pulled and the equipment is being reconditioned.
- **City Treatment Plant Surface Water Delivery – Dissolved Air Issue** – Staff will visit WMI to look at their model for dissolved gases to resolve the issues delivering water to the treatment plant.
- **WFA Pipeline Connection** – The item will be presented at the WFA TAC Meeting in March.
- **Basin 6 Desilting** – Staff engaged a consultant and hope to have a meeting with city staff to move forward on the project. Permits have been received from the San Bernardino County and some waivers for regulatory agencies are expected. Staff will meet with IEUA in regards to grant funding for the project.
- **Cucamonga Basin - Desilting project at crosswalls** – Staff engaged a consultant and hope to have a meeting with city staff to move forward on the project. Permits have been received from the San Bernardino County and some waivers for regulatory agencies are expected. Staff will meet with IEUA in regards to grant funding for the project.
- **Chino Basin Recharge Pipeline** – The project is ready to move forward. Staff is looking into grant funding for this project as well.
- **Water Rights Investigation – Activity** – Staff spoke with the State Water Resources Control Board in an effort to get the United States Forest Service into talks with SAWCo.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items:

Adjournment: There being no further business the meeting adjourned at 6:24 p.m.

Future Meetings:

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

Assistant Secretary
Charles Moorrees