

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, February 19, 2013

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:02 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Will Elliott, Ken Willis, Sue Sundell, Glenn Bozar, John Gerardi, and Bob Cable. Also in attendance were SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions & Presentations: Mr. Moorrees pointed out Item 4J, the letter of recognition from Supervisor Rutherford with regards to the Forebay Groundbreaking Ceremony.
- 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 15, 2013.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting to report.
 - C. Administrative & Finance Committee (AFC) Meeting Minutes
Receive & File Meeting Minutes of November 13, 2012.
 - D. Financial Statement
Comparative Income Statement and Balance Sheet for December 2012 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
 - Supervisor Rutherford-Letter of recognition for Forebay
 - Supervisor Rutherford-Certificate of Recognition for Forebay Groundbreaking
 - Letter to SCE regarding requesting consideration for stream diversions

Director Sundell moved and Director Gerardi 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 met the previous Wednesday, February 13th. Again one of the items discussed was Los Angeles County's Clean Water Clean Beaches measure. Technically the measure passed but no action has been taken because most entities are upset and against the measure.
 - B. **Six Basins Representative Report** – Mr. Moorrees stated there was a board meeting held on January 23rd at which time the election of officers took place. Ben Lewis with Golden State Water Company was elected President of the Board, Joe Lyon with the City of Claremont was elected Vice President of the Board, Dan Keesey with the City of La Verne was named Treasurer, and John Gibeny with Pomona College was named Secretary. Following the Board meeting was a Strategic

Planning Workshop; a copy of the Draft Phase I Report was distributed to each agency prior to the meeting. Each agency was asked to read and comment on the section regarding water supply, demand, and baseline alternatives which SAWCo has done. The goals of the Strategic Plan were to enhance water supplies, basin management, enhance water quality, and establish goals to develop an equitable finance. The outline for Phase II for the current year establishes Task I as the development of an initial management plan by April, finalizing a water supply plan, and providing detailed information for modeling by March. A conference call with the Six Basins Watermaster to discuss each of these issues with the agency is expected. Task II will be to evaluate the initial plan which will take place between May and August. It will entail defining assumptions and evaluation criteria and defining recharge planning in absence of a Strategic Plan. The next Board meeting will be on March 27th.

- C. **Chino Basin Representative Report** – Ms. Layton reported that the Appropriative Pool met on February 14th. SAWCo's water transfers to the City of Upland and Monte Vista Water District (MVWD) were approved. The sale of water to MVWD was also approved. These items will go to the Chino Basin Board for approval. The Ninth Amendment to the Chino Basin Cyclic Storage Agreement which allows Metropolitan Water District (MWD) to place up to 100,000 acre feet (AF) in storage with written consent of Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) was also approved.

The Peace Agreement allows the City of Pomona to receive a credit of up to \$2 million against their Operating Basin Management Plan (OBMP) assessments for the installation, operation, and maintenance of its existing ion exchange project. For 30 years a credit of \$66,667 per year would be granted. Three Valleys Municipal Water District (TVMWD) recognized the ongoing benefit and agreed to take on this responsibility to credit Pomona the monies unless they give notice to terminate. TVMWD has paid a total of \$265,155 for the last five years. TVMWD has given their notice and since the assessment package was already computed, the credit was not factored in. SAWCo's portion would be \$1,832.01. The Appropriative Pool decided to use reserves to pay for this at year end but will factor in the credit in future assessment packages.

On January 17th the Appropriative Pool met to discuss the storm water credit as it relates to the Recharge Master Plan Update (RMPU) 2013 Amendment. It was decided that a legal review of CBWM was needed. Watermaster is planning a half day review titled "Refresh, Recharge, and Reunite" and will be held on March 12th from 7:30 a.m. to 1 p.m. Ms. Layton stated that she would send the flyer for the event out in an email to the Board members to see if any are interested in attending.

Director Gerardi questioned the Chino Basin Cyclic Storage Agreement renewal. Ms. Layton stated that the agreement expired in December of 2012 and was originally signed in 1978. Since 1978 it has only been utilized one time and all have to agree to allow it to happen. There was some disagreement as to whether or not six percent losses should be put into the agreement. Legal counsel advised to keep the loss amount ambiguous for flexibility. Director Gerardi felt it advantageous to have an increase in the groundwater table and to pump water out of the basin which this would allow for.

Mr. Moorrees stated that Chino Basin is a complicated watermaster and the March 12th Refresh, Recharge, and Reunite overview is a good opportunity to get the framework on the basin and the legalities that have been discussed. He has asked that the general manager of the basin bring up two items at the workshop. One being, if the basin is trying to achieve hydraulic control by pumping a pit to induce water from the Santa Ana River instead of flowing down to Orange County, is it not converse to parties putting more storm water to negate that? Second being, what is the risk of the downstream parties in Orange County if water is diverted?

- D. **Administration and Finance Committee (AFC) Chairman's Report** – Director Sundell stated that at the last AFC meeting the committee voted on the Safe Harbor Plan. She stated that the

committee is not familiar with the Company's investment policy but would like to discuss it at the next AFC meeting.

- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No meeting to report.

6. General Manager's Report:

- A. **401K Safe Harbor Plan** – Mr. Moorrees reported that the 401K Safe Harbor Plan was presented at the most recent AFC meeting. The plan allows highly compensated employees (HCEs) to defer the maximum amount of \$17,500 plus the catch up of \$5,500 for those ages 50 and older without regard to the calculated average percentage deferred by the other employees. Traditional 401(k) plans must comply with IRS requirements to avoid discriminating in favor of HCE's with "top heavy" plans (paying these HCE's more as a percentage of pay than other employees).

Mr. Moorrees recommended the Board accept the AFC's recommendation to convert the Company's 401K Plan to a Safe Harbor 401K Plan at no cost to the company.

Director Gerardi moved and Director Cable seconded to approve converting the Company's 401K Plan to a Safe Harbor 401K Plan. Motion carried.

- B. **Water Facilities Authority (WFA) Pipeline Connection-Unexpected Cost** – Mr. Moorrees stated that this item did not go before either committee before being brought to the Board as the issue came about rather abruptly. The WFA asked if the Water Company would pay for the expense of engaging an Engineering Consultant to review the proposed plans and to provide Construction Management services. SAWCo agreed. Bids from three different engineering firms were sought out by the WFA, the lowest of which was included in the Board packet. Mr. Moorrees felt the bid amount was a little high. After contacting the consultant with regard to the amount, staff was sent a revised proposal for nearly half the original amount.

Mr. Moorrees recommended the Board appropriate an additional \$13,000 from Depreciation and Obsolescence Reserves to cover additional cost as presented.

Director Gerardi commended Mr. Moorrees for having the consultant take another look at the proposed amount. He also questioned why SAWCo was covering the entire cost. Mr. Moorrees replied that as with any other shareholder, SAWCo develops all of the facilities to deliver water. In the domestic area there would be a capital connection fee but there are no connection fees involved with municipal delivery connections. This project, once completed, will benefit SAWCo by utilizing the groundwater basin to deliver wet water to shareholders that have been unable to received wet water such as the City of Ontario, MVWD and the City of Chino. The water company has struggled to deliver its free production allowances without loss of carryover water out of Six Basins and this connection will allow SAWCo to maximize its basin rights. Mr. Moorrees did advise that when this project first began there were no fees associated with WFA and the delivery of water. At this point in negotiations there will be a nominal administration cost, treatment cost, and capital improvement cost. These fees are currently being addressed at the WFA advisory committees and will be brought to the PROC once received.

Director Gerardi moved and Director Willis seconded to appropriate an additional \$13,000 from Depreciation and Obsolescence Reserves to cover additional cost as presented. Motion carried.

- C. **Ontario Water Service Agreements** – Mr. Moorrees reported that this item was originally presented on March 27, 2012 to the PROC which recommended the Board approve the "draft" Amended and Restated Water Service Agreement for the City of Ontario subject to final legal review. Staff has recently received comments from the City of Ontario that indicate they would like to move forward in light of the proposed connection to the WFA to enable "wet" water delivery, to include leased shares, and to allow the transfer of water that SAWCo doesn't deliver in the

amended agreement. SAWCo's legal counsel remains adamant that SAWCo has sole authority to deliver the water as written in the agreement.

Mr. Moorrees recommended the Board approve the "draft" Amended and Restated Water Service Agreement with the City of Ontario subject to final legal review.

The initial Water Service Agreement with the City of Ontario provided for delivery of owned shares as a onetime transfer from the Company's water storage account in Chino Basin. Since that time Ontario has leased shares from an irrigator increasing their entitlement for water delivery. Additionally, without available means to convey "wet" water delivery of Ontario's entitlement, it is currently facilitated by a "paper" transfer of water from the Water Company's Chino Basin account annually. With new enhanced water delivery opportunities included in the agreement, the Water Company will be able to deliver "wet" water to the City of Ontario as with existing water service agreements with the City of Upland and MVWD.

Director Gerardi inquired as to whether the basic advantage of these water service agreements was the stability of revenue to the water company. Mr. Moorrees explained that with the three water service agreements, City of Upland, MVWD and City of Ontario, 78% of monthly revenues are stabilized. SAWCo bills full entitlement on a monthly basis and is reconciled at the year's end.

Director Sundell questioned why the Board was acting now if the agreement is still in draft form and legal counsel still needs to review it. Mr. Moorrees responded that until legal counsel reviews and approves the document it is considered a draft. Approving the agreement now shortens the process. When legal counsel approves the document as it is, it will be the final version.

Director Gerardi inquired about the billing cycle and as to why the City of Ontario would not be charged overages on a monthly basis. Mr. Moorrees stated that the usage is kept track of the entire year and the account is reconciled at the end of the year. If entitlement is left over at the end of the year it is transferred, however, no water is delivered beyond their annual entitlement.

Director Elliott commented that what was sent to the City of Ontario was the same agreement that SAWCo has with the City of Upland and with MVWD. The "draft" agreement presented today includes the City of Ontario's recommendations.

Director Elliott moved and Director Cable seconded to accept the "draft" Amended and Restated Water Service Agreement with the City of Ontario subject to final legal review.

Director Sundell still had concerns about approving a draft agreement. Director Thomas commented that this practice is very common and is done often at the PVPA because they are dealing with many different agencies. He stated that the draft agreement is subject to legal counsel review.

Director Gerardi clarified that the motion was to approve the draft agreement subject to legal counsel review which will essentially leave the agreement as it was originally written.

Director Cable questioned whether legal counsel had any issue with the language the City of Ontario added. Mr. Moorrees clarified legal counsel had no issue with the additional language under 17 and 18 albeit antiquated standard language. SAWCo is still awaiting a response from the City of Ontario in regards to the letter stating the standard language as submitted will stay the same and no additional changes are allowable.

Motion carried.

D. Project Status Report –

- **Well 25A - Site improvements per City CUP** – Currently waiting for word from the City of Upland on the site improvements approval.

- **Cucamonga Basin - Desilting project at crosswalls** – Engaged environmental consultant to complete a habitat assessment to address the need for doing any future bird studies.
- **Forebay Improvements [CY2013 Budget \$1,932,798]** – Staff is reviewing the last of material submittals by the contractor. A construction meeting is scheduled for March 1st.
- **Tunnel Cleaning [CY2013 Budget \$12,000]** – Complete. Sections of the pipeline for roughly 1,000 feet was blocked by sand.
- **Tunnel Lining [CY2013 Budget \$359,000]** – Pictures of the tunnel lining work was shown. Grouting is scheduled for the following week.
- **Res 4 Overflow connection to Basin 3 [CY2013 Budget \$25,000]** – Completed.
- **Water Rights Investigation-Activity** – A meeting is scheduled with Congresswoman Judy Chu in March.
- **Chino Basin Recharge Pipeline** – There is a piece of property between the county line and the San Antonio Channel that SAWCo is trying to determine who the owner is.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items: Director Willis suggested having the City of Upland Public Works Director, Rosemary Hoerning, speak at the next SAWCo Board meeting regarding the Ontario Plume.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:53 p.m.

Future Meetings:

- The next regular PROC meeting will be on Tuesday, February 26, 2013 at 3 p.m.
- The next regular Board Meeting will be on Tuesday, March 19, 2013 at 5 p.m.

Assistant Secretary
Charles Moorrees