

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

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:00 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 Will Elliott. Also in attendance were SAWCo's General Manager Charles Moorrees, and Assistant Manager of Administration and Finance Teri Layton, and the City of Upland's Public Works Director Anthony La. 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 February 15, 2011.
- B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Meeting Minutes of October 27, 2010
- C. Administration and Finance Committee (AFC) Meeting Minutes
No meeting minutes to report
- D. Financial Statement
Income Statement and Balance Sheet for January 31, 2011 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
 - Letter to Tom Thomas from CVWD in appreciation for Robert DeLoach farewell dinner participation.

Director Elliott 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 on PVPA's activities including a recent notice to do weed abatement.

(Director Ken Willis and City of Upland Mayor Ray Musser entered the meeting at 5:03 p.m.)

- B. **Six Basins Representative Report** – Ms. Layton reported a special Six Basin Watermaster Board meeting was held on Wednesday, February 23, 2011 for the purpose of interviewing and negotiation between the Board and Wildermuth Environmental. The interview proved favorable and Wildermuth Environmental was awarded the contract.

The next Six Basin Watermaster Board meeting is scheduled for March 23, 2011.

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

- D. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No report was given as the reports discussed at the PROC are in the meeting's agenda.

6. General Manager's Report:

- A. **Nominees for the position of Director of the Company** – Mr. Moorrees stated that pursuant to Article II of the Bylaws, Section 2.04 "Notice of Shareholders' Meetings", if the Company intends to present any nominee or nominees for election as director(s), it must present the names of those nominees with the notice of the meeting.

A list of nominees for Company Directors to consider for the Annual Meeting on April 5, 2011 was presented. Those listed were Tom Thomas, Dr. Fred A. Gattas, Ken Willis, Brian Brandt, Will Elliott, Glenn Bozar, and Sue Sundell.

Director Hill moved and Director Brandt seconded to approve the nominees for Company Directors. Motion carried.

- B. **FY2010 Audit Report and Management Letter** – Mr. Moorrees reported that with each fiscal year, a designated CPA firm audits the Company's financial records of the preceding year, by performing random sample evaluations from those records. The scope of work also includes the preparation and filing of the annual tax reports to the IRS and the Franchise Tax Board.

The audit report was included in the Board Packet and concludes that the Company's financial records for FY2010 fairly represents the financial position of the Company and are in conformity with generally accepted accounting practices. There were no issues identified in their analysis.

A copy of the management letter was also included with this report to review, comment and receive and file.

Director Elliott commented that he liked the notes and commended the person responsible for putting them together. He stated the notes were thorough and easy to understand.

Mr. Moorrees recommended the Board review, comment, and receive and file the FY2010 Audit Report and Management Letter as prepared and submitted by the firm of Bowen McBeth.

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

- C. **Request for Contributions** – Mr. Moorrees stated that SAWCo regularly and historically contributes to the American Water Education Foundation, American Groundwater Trust, and the California Water Awareness Campaign. Contributions from 2006 to 2010 were listed in table format in the Board Packet.

Mr. Moorrees recommended the Board agree with the PROC and authorize the Manager to provide contributions as in the past to the water related programs presented.

Director Dr. Gattas inquired as to why the contribution to California Water Awareness was higher than the others. Mr. Moorrees responded that the lowest amount they accepted was \$300.

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

- D. **Easements for Wells 2, 3, and 24-** Mr. Moorrees stated that at the December 2009 Board meeting he advised the Board that the Company's existing easement reservation on the Country Club Villas for its facilities located north of 16th Street and west of Tanglewood does not encompass the actual facilities.

The Water Company owns and operates Well 2, 3, 24 and Booster 9 facility locate at Upland Hills Golf Course North which is accessed off of Tanglewood north of 16th Street. In 1966, the lands surrounding the site were transferred over to the San Antonio Liquidated Trust. It was assumed that the property containing these facilities was carved out in fee. Apparently, only a reservation to access, maintain and improve the existing facility was incorporated into the 1966 Deed with no specific boundary for these sites. There was an intended description excluded in the 1966 Deed but was in error with respect to the location of the existing well and booster facilities. This property is owned by the Matreyek Trust who has agreed to accommodate the Water Company's request to establish and record the proper specific easement documents for SAWCo's existing facilities.

In February 2010, the Board authorized staff to engage Andreasen Engineering, Inc. to survey the facilities and prepare the necessary legal descriptions easement deeds. A "draft" Grant of Easement document with specific site boundaries prepared by Andreasen Engineering is attached to this report. Staff has reviewed the specific easements and determines that it satisfies the need for the placement of it Wells 2, 3, 24 and Booster 9 facilities.

Mr. Moorrees recommended the Board accept the PROC's recommendation to accept the easements and descriptions for the Company's Wells 2, 3, 24 and Booster 9 site from the Matreyek Trust for recordation.

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

- E. **Well 4 Site at Country Club Villas-** Mr. Moorrees reported that at one time the Water Company owned and operated Well 4 located on Tanglewood north of 16th Street at the entrance of Country Club Villas. Underlying property belonged to Matreyek Trust with an overlying easement reserved in the 1966 Deed to allow the Water Company to maintain and operate this facility.

This well has long since been abandoned and destroyed; however, the underground pipeline on this site is still operational. The site is too small to consider drilling another well and will not allow sufficient clearance from the existing well.

Attached is a letter from Matreyek Trust requesting the Water Company Quit Claim its surface rights in which they own the underlying property in fee. All Quit Claim language will be processed and reviewed by the Company's legal counsel for conformity and to ensure the Company's rights.

Mr. Moorrees recommended the Board agree with the PROC's recommendation to Quit Claim the Company's surface rights on the abandoned Well 4 site.

Director Hill questioned whether the Matreyek Trust will be responsible for the expenses involved. Mr. Moorrees answered yes.

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

(President Thomas welcomed future Board member, Glen Bozar who was in attendance.)

F. **Project Status Report –**

- **Tunnel Pipeline Improvement** – This project shall clean out the Tunnel pipeline from Shaft 2 to the Forebay and interior lining application
- **Well 25A – Drilling** – Carried over from CY2011. Mark Roberts & So Associates are engaged to provide the technical drilling specifications and plan. Specifications submitted for staff review.
- **Urban Water Management Plan** – Carry over from CY2010. CivilTec Engineering. A Kick-Off meeting was held on November 8, 2010. CivilTec reviewed State Guidance criteria with respect to Senate Bill SB7x7. Legal Counsel prepared opinion for Water Company to "opt" out of SB7X 7 requirements.
- **Chronological History Documentation-** Rauch Communication Consultants anticipated completion by end of the year 2010, but due to complications is now scheduled for completion end of February 2011. Director Thomas questioned if the documents were on Compact Disc (CD) and if it was a searchable document. Mr. Moorrees replied yes they were on CD and searchable.
- **Cucamonga Basin Management Plan-** Cucamonga Valley Water District (CVWD) completed design work. San Bernardino County Flood Control District (SBCFCD) completed an environmental study and has prepared and filed the "Notice of Exemption". Received notification from Department of Fish and Game (DFG) to proceed. Pending encroachment application with Upland to utilize 20th Street for a haul route and executed permit application from the SBCFCD.
- **Forebay Improvements** – The Planning Commission Public Hearing was held on February 3, 2011. The project was approved by the Commission. Pending issuance of Conditional Use Permit.
- **Water Rights Investigation** – Legal Complaint filed on Ridgeway and Slater on October 1, 2010. Defendants have asked for an extension for Discovery. Blake Slater executed the license agreement on November 8, 2010. Pending United States Forest Service (USFS) water rights to its special use permits. Meeting scheduled for April 13, 2011 with USFS. Pending resolution with remaining private land owners. Mt. Baldy Home Owners Association (HOA) - Land exchange document received. Meeting with USFS, SHIA, Mt. Baldy HOA and private cabin owners on June 10, 2011. Pending follow up meeting with USFS. Director Brandt stated that if there was no response from Ridgeway that SAWCo should take the default. He offered to speak with the attorney if needed.
- **Cucamonga Basin Management Plan** - CVWD engaged Wildermuth Environmental, Inc. (WEI). SAWCo to pay 35% of cost- Phase I collection of data complete. Phase II to begin in August. Board approved additional budget of \$45,000. Met with WEI, CVWD & Upland on October 28 for phase II. Staff met separately with WEI to discuss "developed yield". Pending follow up meeting
- **Feasibility Study-Edison & Tunnel Ponds [Conserv. Levee]-** SAWCo met with Camp, Dresser, and McKee (CDM) and discussed some possibilities for expanding the facilities. Field review with CDM on February 11, 2011.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items – Director Willis suggested staff arrange a tour of SAWCo facilities and put together a map of the City of Upland in the event that new Board members are elected at the Annual Shareholder Meeting. Mr. Moorrees proposed a "lunch and learn" with any new and returning Board members.

Director Thomas thanked Director Hill for his years of service on the SAWCo Board.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:26 p.m.

Assistant Secretary
Charles Moorrees