

SAN ANTONIO WATER COMPANY

MINUTES OF THE SAN ANTONIO WATER COMPANY

Tuesday, March 19, 2013

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 Tom Thomas, Will Elliott, 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 as well as the City of Upland's Public Works Director Rosemary Hoerning. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions & Presentations: Mr. Moorrees stated there were three items under recognitions and presentations. The first being Rosemary Hoerning, Public Works Director for the City of Upland. Ms. Hoerning spoke about the Ontario International Plume. Ms. Hoerning directed SAWCo staff and Board to the screen showing a map of the Ontario International Airport, Mission Boulevard, the 60 Freeway, and the Regional Plant #1 (RP1) Facility. These locations are where the boundaries of the Ontario International Plume are thought to be. Trichloroethylene (TCE) is the main concern in this area. It is a carcinogen that affects the liver and was commonly used in the airport industry as an engine degreasing solvent as well as in dry cleaning operations. The extent of the plume is generally defined by existing potable water supply sources and monitoring wells. TCE usage in the aviation industry began in the 1940's. In the 1970's or so Regional Water Quality Control Board (RWQCB) noticed that some of the industrial manifests at the airport indicated that TCE was being used in operations which began an investigation on how TCE was being used at the airport and surrounding areas. In 1972, a contractor with General Electric prepared a thorough investigation report which identifies all of the TCE users in that general area. That report was submitted to the RWQCB who in 2005 issued a draft clean up and abatement orders to the industrial users at the airport. Specifically Aerojet, Boeing, General Electric, and Lockheed Martin. In addition, the Department of Defense was called in to draft a clean up and abatement order as well. Aerojet, Boeing, General Electric, and Lockheed banded together and formed what is commonly referred to as ABGL. They retained consultants for further studies with respect to the plume and its origin as well as to be responsive to the draft clean up and abatement orders in terms of providing alternate water supply to some of the effected private water wells in the agriculture preserve. In 1986, the Department of Public Health (DPH) and Environmental Protective Agency (EPA) established a maximum contaminant level (mcl) for TCE of 5 parts per billion. The RWQCB directed that an alternative water supply be provided to any property where the mcl exceeded the drinking water mcl. ABGL did a feasibility study and determined the most cost effective way to address the RWQCB's request was to install a number of site specific water supply tanks to deliver potable water to those customers. A report was prepared and submitted to the RWQCB that identified RP1, Sewage Treatment Plant #1, located west of Archibald Avenue and south of the 60 Freeway, as a likely source of TCE. In the Fall of 2012, the City of Upland, City of Ontario, and Inland Empire Utilities Agency (IEUA) were issued draft clean up and abatement orders similar to those that were given to the airport industry. The City of Ontario was named because it owns 75% of the plant and ran the treatment plant for a number of years. They also own 75% of the golf course located just south of the plant. The City of Upland was named because their sewage goes to RP1 and they are a property owner at the golf course. In 1973 the ownership of the City of Ontario in the plant was transferred to IEUA.

Mr. Moorrees advised that the Ontario International Plume does not affect any of SAWCo's wells.

Director Thomas commented that ownership is back to where the City of Ontario owns 75% of the golf course immediately adjacent to the plant and the City of Upland owns 25%.

Ms. Hoerning presented a timeline of the history of the Ontario International Airport.

Director Gerardi inquired as to what the borders of the plume are. Ms. Hoerning stated Philadelphia Street as the southern border, Vineyard Avenue as the eastern border. The groundwater generally flows in a southwesterly fashion.

Director Gerardi also questioned what was being done about the areas that are still served by old agricultural wells delivering potable water. Ms. Hoerning stated those areas are being tested for water quality and if the water quality exceeds the mcl an alternative water supply source is required until such time as permanent infrastructure is established in those areas. Property owners are being notified if water on their property is being tested for water quality. There were roughly 25 properties affected but three additional properties were recently discovered. Some private wells have been shut down because of the TCE but no public wells have been shut down that Ms. Hoerning is aware of.

Director Bozar stated that he was in Washington, D.C. the previous week and spoke with Congresswoman Grace McCloud as well as Senator Diane Feinstein's staff with regard to this topic. He questioned whether there was a summary of topic that he could bring back to them. Ms. Hoerning suggested working through the city manager and the city attorney's office to determine what is appropriate.

Mr. Moorrees stated that former Board member the Honorable Judge Ellen Brodie passed away over the weekend. He inquired as to whether staff should send a card and flowers to Jim Brodie, her son, on behalf of the water company. Director Thomas agreed that flowers and a card were more than appropriate. Mr. Moorrees advised that a memorial would be held sometime the first week in April and would advise the Board when the exact date and location were available.

Mr. Moorrees pointed out the book placed on the dais each Board member. The book was written by Megan Hutter about the San Antonio Heights and SAWCo purchased a copy for each Board member as well as a few to keep at the company office.

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 19, 2013.
- B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Approve November 27, 2012 meeting minutes.
- C. Administrative & Finance Committee (AFC) Meeting Minutes
No meeting minutes to report.
- D. Financial Statement
Comparative Income Statement and Balance Sheet for January 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
 - February 28, 2013 SCE response letter regarding discount for diversions
 - Water Education Foundation letter of thanks
 - American Ground Water Trust Board letter of thanks

Director Elliott moved and Director Bozar seconded to approve the Consent Calendar Items as presented. Motion carried.

5. Board Committee – Delegate Report:

A. **Pomona Valley Protective Association (PVPA) Representative’s Report** – Director Thomas reported that PVPA’s auditor attended their last meeting and presented the audit report.

B. **Six Basins Representative Report** – Mr. Moorrees stated there was a board meeting held on March 19th. During the public comment portion of the meeting Mr. Joe Lyons, representing Claremont, requested Six Basins Watermaster develop a policy requiring those on septic tanks to hook up to sewer lines. Staff believed this to be more of an issue for Department of Public Health (DPH) to handle.

A Strategic Plan Workshop was held to discuss baseline alternatives. The first alternative is to maximize yield and manage quality. Alternative two was conjunctive use and export.

The Local Groundwater System (LGS) Grant through the Department of Water Resources (DWR) that Three Valleys Municipal Water District (TVMWD) applied for on behalf of Six Basins Watermaster for \$250,000 would reduce the cost for groundwater modeling. Out of a maximum score of 40, Six Basins received a 38. Five entities scored a 40, seven received 39, and 24 received a 38. Worst case scenario is that Six Basins receives \$145,000 but that information will not be available until July. Next Board meeting is on March 27th with a Strategic Plan Workshop immediately following. The next Advisory Committee meeting will be held on April 24th.

C. **Chino Basin Representative Report** – Ms. Layton reported that the Appropriative Pool met on March 14th. The ninth amendment to the Chino Basin Cyclic Storage Agreement was approved again with the understanding that assigned losses would be calculated and the buyer identified before receiving the water. There was also a request to petition the Watermaster Court for an Order regarding the County of San Bernardino’s responsibility for the remediation of the Chino Airport Groundwater Plume by the Chino Desalters Authority (CDA). According to Resolution 2010-4 certain parties to the Judgment that are members of the CDA requested Watermaster to lead efforts to obtain compensation from the primary responsible party, San Bernardino County, and Watermaster accepted the request. The cost for biological treatment is 9.3 million dollars. The Appropriative Pool was concerned and Watermaster’s attorney was vague in his explanation and not all the parties felt comfortable going forward until a legal counsel meeting was held and options with consequences were spelled out. A telephone conference was held earlier in the day with SAWCo’s legal counsel and he stated that according to the Judgment, Watermaster has no authority to start a lawsuit. He explained that Watermaster cannot order any party to shut down their well or relocate it. He compared it to Congress making up laws and not being able to carry them out because they are not constitutional. The Judgment is Watermaster’s Constitution. He also stated it would probably cost \$50,000 a month for the next 10 years. SAWCo’s position is to vote no on this issue.

The Refresh, Recharge, and Reunite meeting was held March 12th. Several board members and some staff attended the successful event and received a legal overview of Chino Basin. Concerns and notes were taken and Watermaster’s General Manager is now compiling the notes to share with the Chairman of the various Boards and allow them to bring them back to their respective Committees.

The Steering Committee last met on March 7, 2013 at which time Wildermuth Environmental, Inc. gave a presentation of how close the numbers are to IEUA and the areas needing to be addressed. The next meeting will be held on March 21, 2013.

D. **Administration and Finance Committee (AFC) Chairman’s Report** – No meeting to report.

- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – Mr. Moorrees stated there were no action items at the PROC meeting. The committee discussed the Holly Drive easements that have been submitted to the Holly Drive Homeowners Association (HOA) for approval and signatures.

Marble Canyon Development on East 26th was also discussed. Mr. Moorrees recommended that they pursue a connection with SAWCo, which would require additional capital facilities.

On 19th Street by Campus Avenue there is a proposed development for several lots. An irrigation line runs under an old packing house on the property which will need to be relocated at the developers expense.

The disposition of Well 12 located on Sixth Street just north of the 10 Freeway and Well 18 located on Fourth and San Antonio Avenue in Ontario. Mr. Moorrees advised the City of Ontario may have some interest to acquire.

6. General Manager's Report:

- A. **FY2012 Audit Report and Management Letter** – Mr. Moorrees stated that a copy of the audit report was included in the Board packet. There are no issues that were identified.

Mr. Moorrees recommended the Board review, comment, receive and file the FY2012 Audit Report and Management Letter as prepared and submitted by the auditor firm of Bowen McBeth.

Director Thomas questioned whether this report would be brought up at the Annual meeting. Mr. Moorrees replied the auditor firm will give a presentation at that time.

Director Gerardi moved and Director Sundell seconded to receive and file the FY2012 Audit Report and Management Letter. Motion carried.

- B. **Nominees for the position of Director of the Company** – Mr. Moorrees stated that normally the Board adopts a slate of directors for the upcoming Board election. The notice has already been submitted since the Board did not adopt a slate and the City of Upland did not have any recommendations. Mr. Moorrees inquired if there was any discussion at this time.

Director Sundell stated she spoke with the City of Upland Mayor the previous week and noted that he did not want to make any changes to the SAWCo Board.

No action needed.

- C. **401K Safe Harbor Update** – Mr. Moorrees gave a verbal update on the 401K Safe Harbor Plan. At the previous Board meeting the Board approved converting SAWCo's traditional 401K Plan to the Safe Harbor Plan. In reviewing the provisions for the Safe Harbor Match the plan requires that for new employees contributing 5% of their salary SAWCo is obligated to match half of the contribution for the first two years. If the new employee contributes less than 3.5% then there is no issue. Due to this discrepancy the information will be brought to the next AFC meeting with three options the committee can recommend to the Board.

D. **Project Status Report** –

- **Forebay Improvements [CY2013 Budget \$1,932,798]** – Hydrant meter was installed by staff to allow work to begin. Contractor should be mobilized by March 25th.
- **Tunnel Cleaning [CY2013 Budget \$12,000]** – Completed.
- **Tunnel Lining [CY2013 Budget \$359,000]** – Completed.
- **Water Rights Investigation-Activity** – A conference call was held earlier in the day with SAWCo's legal counsel to strategize for the meeting with Congresswoman Judy Chu on Friday. Mr. Moorrees questioned whether an alternate for Director Ken Willis was needed due to his

health issues. Director Thomas felt Director Sundell would be a great alternate for Director Willis. Director Sundell agreed to be the alternate. Mr. Moorrees would put together a summary and letter will be used as reference in the meeting with the congresswoman.

- **WFA Pipeline Connection** – TKE finished the review and will be taking the information to the TAC meeting and then to the Board.
- **Chino Basin Recharge Pipeline** – In the planning phase.

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 5:40 p.m.

A moment of silence was given in memory of former board member and friend, the Honorable Judge Ellen Brodie.

Future Meetings:

- The Annual Meeting will be held on Tuesday, April 2, 2013 at 6 p.m.
- The Organizational Meeting will be on Tuesday, April 2, 2013 immediately following the Annual Meeting.
- The next regular Board Meeting will be on Tuesday, April 16, 2013 at 5 p.m.

Assistant Secretary
Charles Moorrees