

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, April 16, 2013

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:05 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 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 that directors will now be receiving a physical packet for the Board meetings as well as for their respective Committee meetings. A phone call will be made the day prior to the meetings to remind directors of the upcoming meeting. Mr. Moorrees also presented the summary for the Chino Basin Recharge, Refresh, and Reunite workshop on the dais. Also, Mr. Moorrees reminded the Board that the Lemon Festival will be taking place on Friday, April 26th thru Sunday, April 28th. He stated that SAWCo staff was advised to leave at 7:00 p.m. since the event goes on until 11 p.m.
- 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 March 19, 2013.
 - B. Approval of the Organizational Meeting Minutes
Regular Meeting Minutes of April 2, 2013
 - C. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report.
 - D. Administrative & Finance Committee (AFC) Meeting Minutes
Approve January 29, 2013 meeting minutes.
 - E. Financial Statement
Comparative Income Statement and Balance Sheet for February 28, 2013 and year-to-date.
 - F. Investment Activity Report
Monthly Report of Investments Activity
 - G. Water Production
Bi-Monthly water production [Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, Nov/Dec]
 - H. Prominent Issues Update
Status summaries on certain on-going active Issues.
 - I. Projects and Operations Update
Status summaries on projects and operations matters.
 - J. Groundwater Level patterns [Quarterly in April, July, October & January]
Tracking patterns of groundwater elevations relative to ground surface.
 - K. Correspondence of Interest
 - Copy of letter from Congresswoman Judy Chu to USDA

Director Elliott asked that Item 4E be pulled to be discussed but moved to have the remaining items approved as presented. Director Gerardi seconded the motion. Motion carried.

Director Elliott inquired with Mr. Moorrees the figures for the domestic water and why the funds were down. Mr. Moorrees replied that the figures only show the funds from one billing cycle.

Director Elliott also questioned the unearned income figures. Mr. Moorrees stated that SAWCo has charged entitlements per the service agreements for the City of Upland, Monte Vista Water District

(MVWD), but has not actually delivered their entitlement which is reconciled at the end of the calendar year.

Director Bozar brought attention to the power/gas/electric portion of the budget and asked if it had increased due to more pumping of wells. Mr. Moorrees replied that SAWCo is using its groundwater wells more as of late due to reduced surface water and tunnel flows.

Director Bozar also questioned how, under 'other assets', how the value of documents studies and work in progress are calculated. Ms. Layton replied that the amounts shown are the actual costs to date. Documents and studies include mapping, water rights studies, etc.

Director Elliott moved and Director Bozar seconded to receive and file Item 4E of the Consent Calendar Items. Motion carried.

5. Board Committee – Delegate Report:

- A. **Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported that PVPA held their Board meeting on Wednesday, April 10th. One of the issues addressed was Three Valleys Municipal Water District (TVMWD) began preliminary work on the conjunctive use pipeline which runs through PVPA land. The project will go out to bid before actual construction will begin. The purpose is to be able to deliver upstream and spread water when available.
- B. **Six Basins Representative Report** – Mr. Moorrees stated there was nothing new to report. An Advisory meeting scheduled for April 22nd was cancelled. A draft Annual Report is expected for review and comment and will be brought to the Six Basins Board in May.
- C. **Chino Basin Representative Report** – Ms. Layton reported that the Appropriative Pool met on April 11th. Chino Desalter Authority (CDA) requested 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 during the closed session. The result was to direct watermaster's legal counsel to draft a pleading that would be forwarded to the Appropriator Chair and to all the parties and to continue to work with CDA for a solution. The Appropriative Pool is concerned with what type of due diligence has been done to obtain a settlement, what does the drafting of the pleading look like, they would like to know what kind of CDA discussion has taken place and if non-legal approaches were considered. Chino Basin Watermaster is reporting they have spent approximately \$405,000 thus far but does not have a specific break down as to how much was used in negotiations. SAWCo's legal counsel is not in favor of the way this is being handled. The parties feel like they can come to a solution whether the CDA appropriators pay or not. When the pleading is drafted Ms. Layton will forward it on to legal counsel for review and opinion.

The Steering Committee met on April 4th and was asked to look at three accounting tracking options and provide feedback. If Watermaster was not to track the MS4 permit separately by entity there would not be any additional costs, however, there are some appropriators that are still trying to get the stormwater credit and would like to see it tracked separately. The next meeting is scheduled for April 18th.

Director Gerardi asked for more explanation on whether there would be a lot of legal action between CDA and Chino Basin Watermaster. Ms. Layton replied that because of the plume they are starting to pump contaminated water which San Bernardino County has already been determined to be the cause. The County has been told by the Regional Water Quality Control Board to begin monitoring the problem. CDA desires the County to pay to correct the problem. The County is stating they do not have the funds for clean up so it would take litigation in order to turn the problem over to the County's insurance company. SAWCo's legal counsel felt it would cost the Company \$50,000 dollars per month for 10 years to follow through with litigation. The Appropriator Pool are not wanting to go to Federal Court but feel if it is taken to the Watermaster court and have the judge determine the County is at fault it would allow the County's insurance company to pay out on the

clean up. SAWCo feels it would be a long drawn out process and does not want to get involved if possible.

Director Gerardi encouraged caution with getting into any legal expenses when it involves a public agency against another agency.

Director Willis suggested sitting down with legal counsel and creating a plan of action. Mr. Moorrees suggested a closed session conference with legal counsel at the next PROC meeting.

D. **Administration and Finance Committee (AFC) Chairman's Report** – Director Sundell reported that apart from the action items on the General Manager's Report there were two other items discussed at the most recent AFC meeting. The May AFC meeting will be held on May 14th so that SAWCo's insurance policy can be reviewed and recommended to the Board at the May Board meeting to go into effect before the current policy expires. Also, staff member Kelly McGuire will be getting married at the end of June and the committee thought a Board gift would be appropriate. The committee felt it best if the Board contributed on their own and not through company funds. Collections will be taken at the next Board meeting.

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

6. General Manager's Report:

A. **401K Safe Harbor Plan Conversion** – Mr. Moorrees stated that SAWCo discovered an unanticipated impact of the approved conversion from the traditional 401K Plan to a "Safe Harbor 401K Match". The anomaly occurs with new employees that become eligible for the retirement plan. Once eligible, the first two years a new employee may begin contributing to the retirement plan. SAWCo matches 3 ½ percent of the employee's contribution in accordance with adopted policy. The Safe Harbor Match requires the Company provide a 3 percent match. The Safe Harbor Match Plan requires the Company to provide a 50% match up to 5% contribution. If a newly eligible employee contributes 5% of a gross salary of \$50,000, the Company would be required to match 50 percent or \$250/year. The higher the salary the higher the match, but only for the two years. Four different options were presented to the AFC but the committee felt it was just an anomaly and recommended SAWCo stay with the Safe Harbor 401K Match plan as originally approved.

Director Elliott, seeing as the Safe Harbor 401K Match Plan had already been approved, moved and Director Sundell seconded to receive and file Agenda Item 6A. Motion carried.

B. **Investment Policy** – Mr. Moorrees made a brief statement on the origination of SAWCo's investment policy in 1994 and its changes throughout the years. A priority of order was established for the investments, which was that it be safe, liquid, and provide a yield with primary focus on safety and liquidity. Resolution No. 94-1 "Establishing and Filing an Annual Statement of Investment Policy for the year 1994" was created.

In 2005 when the committee was established one of the first items discussed was SAWCo's current investments. At that time the Company had invested in Citizen Business Bank's (CBB) ladder Certificate of Deposit (CD) Diversifier program. This program staggered maturity dates to maintain liquidity in 95 separate \$100,000 CD's insured by FDIC to maintain safety. To manage this program, CBB charged \$20/month/CD for a total annual cost of \$22,800. There were other investment strategies discussed at that time to reduce management fees.

At that time, staff suggested exploring the possibility of utilizing the Local Agency Investment Fund (LAIF). This provided secured investments up to \$40 million using the State Treasurer's Office investment expertise at no cost to the Company. Also, it was liquid as wire transfer request made before 10 a.m. was received before the end of the business day. Investment yields in LAIF were believed to be about 3 months behind market values.

No action was required as the information given was just a refresher.

- C. **Cost of Living Adjustment** – Mr. Moorrees reported that it was suggested by the AFC last year that consideration of annual cost of living adjustments (COLA) be determined by the Consumer Price Index (CPI) as calculated by the Bureau of Labor Statistics. Using the Bureau’s 2010/2011 12-month change from December to December based on the CPI for Los Angeles/Riverside/Orange/San Bernardino/and Ventura counties January 2013, area prices for goods and services were up 1.9% from a year ago. Mr. Moorrees explained SAWCo’s Matrix and clarified that the COLA adjustment did not automatically raise employee pay but that it affected employee pay ranges which reflects in their pay for performance increases.

Mr. Moorrees recommended the Board approve the AFC’s recommendation to adjust existing job position wage range 1.9% based on the CPI as presented.

Director Gerardi moved and Director Bozar seconded to approve adjusting the existing job position wage range 1.9% based on the CPI as presented. Motion carried.

- D. **Proposed Fee Schedule Amendment** – Mr. Moorrees reviewed each fee individually and explained the method by which fee was increased.

Director Willis interjected that the report was very comprehensive and moved that the Board concur with the AFC in adopting the fee schedule as described in Item 6D for public hearing. Director Willis seconded the motion. Motion carried.

Director Gerardi inquired as to how often meter testing was requested by shareholders. Ms. Layton replied that it is done very infrequently.

Director Gerardi also inquired about the fees under number 17 in the back up paperwork for this item. The recommendation reads an increase of \$65 but the graph below reads \$50. Mr. Moorrees replied the correct fee increase would be to \$50.

- E. **Project Status Report** –

- **Cucamonga Crosswalls** – The Habitat Assessment is complete. It acknowledged an arroyo toad sighting in 2012. After further investigation it was found that the actual year of sighting was 1999. The 20th Street access road will be used as the haul route.
- **Forebay Improvements [DY2013 Budget \$1,932,798]** – Current pictures of the work were shown. Project looks to be on schedule.
- **Tunnel Lining [CY2013 Budget \$359,000]** – There were some glitches with the tunnel lining which are being correct this week.
- **Water Rights Investigation-Activity** – A letter from Congresswoman Judy Chu was sent to the Department of Agriculture urging them to resolve the issue as soon as possible. It was sent to the State Water Resources Control Board as well.
- **WFA Pipeline Connection** – TKE finished their review and SAWCo staff is reviewing the plans. It will hopefully go for WFA Board approval in May.

Director Elliott inquired about the Holly Drive easements. Mr. Moorrees replied that he had emailed the current Holly Drive Home Owners Association (HOA) President, Dieter Dammeier, and asked him to take it to the HOA Board. He will follow up with a phone call.

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 5:45 p.m.

Future Meetings:

- The next Regular Board Meeting will be held on Tuesday, May 21, 2013 at 5 p.m.

Assistant Secretary
Charles Moorrees