

**SAN ANTONIO WATER COMPANY**  
**MINUTES OF THE SAN ANTONIO WATER COMPANY**  
**Tuesday, April 18, 2017**

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, Will Elliott, Sue Sundell, John Gerardi, Jose Sanchez, and Gino Filippi. Also in attendance were City of Upland Public Works Director Rosemary Hoerning, Justin Scott-Coe with Monte Vista Water District (MVWD), and SAWCo's General Manager Charles Moorrees and Senior Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions and Presentations: Mr. Moorrees announced Pierce Rossum with Carollo Engineers will be making a presentation on Item 7A.
- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: Director Thomas advised if anyone wished to speak about the items in the public hearing there would be a time to do that later in the meeting. No one from the audience wished to speak at this time.
- 4. Consent Calendar Items:
  - A. Approval of Board Meeting Minutes  
Regular Meeting Minutes March 21, 2017.
  - B. Approval of Organizational Meeting Minutes  
Meeting minutes of April 11, 2017.
  - C. Administrative and Finance Committee (AFC) Meeting Minutes  
No meeting minutes to report.
  - D. Planning, Resources and Operations Committee (PROC) Meeting Minutes  
Meeting minutes of January 24, 2017.
  - E. Financial Statement  
Comparative Income Statement and Balance Sheet for February 28, 2017 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
    - Citizens Patrol Annual Pancake Breakfast
    - AB 54 Webinar Training

Director Gerardi moved and Director Elliott seconded to approve the consent calendar as presented. Motion carried with Director Bob Cable absent.

- 5. Board Committee – Delegate Report:
  - A. Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported on the most recent PVPA meeting. The small amount of spreading behind the dam after the rain has ended. The Operations and Maintenance Plan is being finalized. PVPA is working with

the property owner regarding an easement at Thompson Creek. A long-term license agreement with the City of Claremont for the Thompson Creek bike path is set to expire in June but will be renewed.

- B. Six Basins Representative Report** – Mr. Moorrees reported on the meeting held on March 22<sup>nd</sup>. The Memorandum of Understanding (MOU) with Three Valleys Municipal Water District (TVMWD) regarding the transfer of ownership of an abandoned agriculture well. The watermaster summarized the findings of the video log taken of the well and recommended the Board move forward with the transfer agreement to install a water level recording transducer in the well. This well will become a monitoring well for the basin.

The board adopted the 2016 Annual Report.

The Sustainable Groundwater Management Act basin boundary revisions had a lot of fringe areas that were in question. The County of Los Angeles has been in communication with adjudicated basins in the county to discuss how best to manage “fringe” areas that must be covered by a Groundwater Sustainability Agency by June 30, 2017.

The Strategic Plan workshop was held immediately after the Six Basins Board meeting. The watermaster is still working on the dates for the MS4 permit collaboration. The project description for constructive water management was also discussed.

- C. Chino Basin Representative Report** – Mr. Moorrees reported the Court set a hearing date of April 28, 2017 at 1:30 p.m. for the revised proposed order. The Judge separated the Safe Yield and reset it at 135,000 AFY. The Court allowed further briefing on how desalter-induced recharge relates to the 135,000 AFY Safe Yield. Some parties wished to drop the Safe Yield to 115,000 AF due to the desalter replenishment obligation.

During the Appropriative Pool meeting on April 13<sup>th</sup> SAWCo’s application for recharge of 1,500 AF was approved and will now go through the Advisory and Board process for approval. The City of Ontario submitted an application for a Local Storage Agreement. There was discussion in closed session ending in agreement to move the collective storage application for both supplemental and excess carryover water forward to the Advisory Committee as approved at the February 9<sup>th</sup> Appropriative Pool Committee meeting. This will negate the City of Ontario’s need to apply for storage and recovery agreement. Also discussed in the closed session was the Rules and Regulations Update. The Pool acknowledges Watermaster’s need to revise the Rules and Regulations to reflect past Court orders, and appreciates Watermaster’s efforts to fulfill this obligation in an open and transparent process. The pool requests that Watermaster release a revised redline when ready for comments.

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

- E. Planning, Resources, & Operations Committee (PROC) Chairman’s Report** – Director Elliott reported the items discussed at the recent PROC are the Proposition 1 Funding and the Edison Ponds which are included in the General Manager’s Report.

Director Bob Cable entered the meeting at 5:14 p.m.

6. General Manager’s Report on Activities:

- A. Edison Pond Wood Sluice Gate Replacement** – Mr. Moorrees advised this item was first presented to the PROC in March. The storm events in January and February caused debris to impact the existing wood sluice gate affecting the ability to raise and lower the gate. Instead of repairing the old wood gate, staff recommends constructing a new structure and sluice gate. Staff request a budget appropriation of \$55,000 for the construction of the new sluice gate and headworks.

The City of Pomona receives 40% of the water that passes through this gate and agrees to contribute their share of the costs towards this project. They will also engineer the project in-house as part of the responsibility in maintaining this facility.

Mr. Moorrees recommended the Board agree with the PROC recommendation to approve the new gate replacement at the Edison Ponds with a budget of \$55,000 and appropriate funds from Depreciation & Obsolescence Reserves

Director Elliott moved and Director Sanchez seconded to approve the new gate replacement at the Edison Ponds with a budget of \$55,000 and appropriate funds from Depreciation & Obsolescence Reserves. Motion carried.

- B. Prop 1 Funding** – Mr. Moorrees reported on the status of SAWCo’s request for Proposition 1 funding for the Well 31 Biological Treatment project. The State of California rejected SAWCo’s Well 31 project stating their focus was more on salt water intrusion projects and groundwater cleanup. Although Well 31 Biological Treatment project would help remove nitrates, the State believed existing septic systems would continue to contribute to nitrates.

In a follow up phone conference the State was willing to send a letter inviting the group to apply for a planning grant to determine the source, quantity of contaminants and to determine the best zones for capture. With this information, the State would have the data to make reasonable recommendations on subsequent treatment as proposed.

Director Sanchez clarified that this study only keeps the options open and does not guarantee approval by the State for Prop 1 funding.

- C. Conservation Programs Update** – Mr. Moorrees presented an update on the current conservation program. Highlights included a free low flow toilet installation program and savings of 22,486 gallons of water in 2017 thru end of February using the Inland Empire Utilities Agency Residential Rebate Program.

**D. Project Status Report** –

- **WFA Pipeline Connection** – SAWCo is piggybacking with the City of Upland’s long term sampling to obtain additional data the State requires to reclassify the water as Bin 1. Sample requirements should be met in September. At that time SAWCo will request approval from WFA to move forward with the project.
- **Holly Drive Reservoir Design** – Additional environmental work needed is currently being worked on and should be completed within 6 months.
- **Water Master Plan** – Draft copy expected by May.
- **Basin 6 Desilting** – Environmental documents have been completed and reviewed. The 30 day comment period is forthcoming. Request for Proposals will be sent out shortly thereafter.
- **Cucamonga Basin-Desilting Project at Crosswalls** – The Army Corps of Engineers is still reviewing SAWCo’s baseline operating management plan in order to issue a Nationwide Permit. This permit is needed in order for the Regional Water Quality Control Board (RWQCB) to issue a 401 permit. SAWCo requested permission to trench the north portion of the crosswalls to divert stream flows so they can percolate into the ground. The San Bernardino County Flood Control District was receptive to this and SAWCo submitted an application for approval. The environmental department halted the process by stating SAWCo would need to work with other agencies such as the Department of Fish and Wildlife and RWQCB. SAWCo is already working with these agencies therefore expediting the process is not be a possibility.
- **Office Relocation Feasibility Study** – A proposal was received from the City of Upland to have the property appraised. Once completed, the appraisal will be presented to the Ad Hoc Committee. Ms. Rosemary Hoerning, Public Works Director for the City of Upland, stated she is looking at another quote for a company on their approved list. This company may be able to

complete the appraisal in a shorter timeframe than the original company she received a proposal from.

Director Filippi stated the City Manager of Upland is requesting to meet with Ms. Hoerning and Mr. Moorrees for an update on the proposed expansion. Any board member who wishes to attend is welcome. Director Filippi asked Ms. Hoerning to coordinate the meeting. He stated he believes the City Manager has some ideas on how to interface better with the City of Upland for this project in the future.

7. Public Hearing – Conduct a Public Hearing to consider increasing the base (Tier 1) and supplemental rate (Tier 2), adding Tier 3, implementing a “Water Availability Charge” and annual Cost Index approach.

A. Proposed Rate Increase and Water Availability Fee Implementation Presentation

Mr. Rossum with Carollo Engineers gave a PowerPoint presentation on the Water Rates and Fees Study. He explained the methodology behind the proposed new tiered rates, water availability charge and cost index approach.

The Board of Directors invited public comments specific to the items presented prior to adoption by the Board.

Dr. Fred A. Gattas, San Antonio Heights resident, presented financial data he obtained for SAWCo from calendar years 2013 to 2016. He pointed out the decrease in revenues and eventual negative budget over these years and then inquired about increases in expenses in various areas of the budget and offered suggestions to reduce expenses such as eliminating Board dinners.

Mr. George Hajjar, San Antonio Heights resident, stated that over the last few years entitlement to water has been continuously reduced and now that there has been some rain the water rates are being increased. He suggested that if the water company wanted additional revenue they should simply allow shareholders to use as much water as they desired. He claimed that homeowners cannot be expected to landscape such large lots that are in the San Antonio Heights with all drought tolerant landscaping.

Ms. Hoerning reiterated the fact that these proposed increases will have a financial impact on the water department of the City of Upland. She commended the consultant and staff for engaging all shareholders in the process of the rate study. Water levels are still low in Southern California even after significant rainfall in January and February.

Mr. Peter Cherbak, San Antonio Heights resident, expressed concern with implementing a cost index approach.

Mr. Justin Scott-Coe with MVWD thanked the Board and staff for a very open, deliberative, and engaging rate setting process. MVWD will incur a small financial impact from the proposed rate increases. Mr. Scott-Coe felt that the fixed charge per share represents SAWCo’s commitment to make every effort to deliver each shareholders full entitlement. He also asked that if this charge generates more money than expected or needed that SAWCo would take into consideration a reduction in the amount of the charge.

B. That the Board deliberate and act on approving Resolution 2017-04-01 increasing the base rate (Tier 1) and supplemental rate (Tier 2); adding Tier 3 rate; implementing a “Water Availability Charge” all to take effect July 1, 2017; and annually escalate rates as needed by forecasted inflation and adopt the Water Rate and Fee Study as prepared by Carollo Engineers as revised March 2017.

Director Thomas explained the process SAWCo has gone through to complete the rate study.

Mr. Moorrees stated staff is looking at current water production amounts and will be making a presentation at the committee level to potentially raise entitlement amounts effective July 2017.

Director Thomas explained this rate increase doesn't necessarily provide for long term capital improvements. Any surpluses earned in a year will be put into the Depreciation & Obsolescence Reserves. He also stated that SAWCo has self-financed all capital improvements for at least as long as he has been a director on the Board.

Director Sanchez felt there was a fair amount of a lack of understanding with how water systems work. Most don't understand what it takes to recharge water. That it's not a question of whether or not a shareholder uses water but whether or not that water is available and what it costs to treat and deliver it. Every utility in the county has the same issues SAWCo faces with regards to fixed costs, fixed revenues and infrastructure issues.

Director Sanchez questioned whether the cost index approach meant each year rates would increase. Director Thomas clarified the Board would look at the cost index each year but does not have to approve a rate increase if it's not needed.

Director Sanchez felt that publicizing the approved budget each year would be a positive step in helping shareholder's understanding of where the money received is utilized. He also questioned whether SAWCo issued refunds to shareholders if more money was received in a year than projected. Mr. Moorrees replied any surpluses are put in the Depreciation & Obsolescence Reserves for capital improvement and depreciation funding. Director Sanchez felt that is the appropriate approach in order to make certain rate increases are predictable and minimized.

Director Cable advised that the San Antonio Heights Association is always informed in advance of any rate increase, change in entitlement, etc. He stated the Board is proactive in that they make decisions that may cost a lot but allow the company and shareholders to reap the benefits of in short time. He warned of cutting cost as the prices of services and materials will never be less expensive; prices will always rise over time.

Director Filippi spoke in favor of getting more information out to shareholders to allow for better understanding of what is taking place. He is encouraged that SAWCo is attempting to cut their costs and does not have any debt obligations but is concerned about the liability the company has to the City of Upland in the amount of roughly \$500,000. Director Filippi recognized the time put into the rate study.

Director Sundell commented that the work the Board and Committee's do is open to the public. The meeting schedule is on the company website and she encourage those that are interested to please attend these meetings.

Mr. Rossum clarified the cost index approach was given as another tool that could be used as needed without having to go through another noticing process and public hearing. It allows the Board the authority to increase the rates up to the amount of inflation if they see the inflationary pressures.

Director Cable moved and Direct Elliott seconded to approve Resolution 2017-04-01 increasing the base rate (Tier 1) to \$0.68 per hundred cubic foot (hcf) and the supplemental rate (Tier 2) to the amount it costs SAWCo to purchase water, currently \$1.78/hcf; adding Tier 3 rate at \$3.78/hcf; implementing a "Water Availability Charge" of \$8 per share per month all to take effect July 1, 2017; and annually escalate rates as needed by forecasted inflation of up to 3% and adopt the Water Rate and Fee Study as prepared by Carollo Engineers as revised March 2017. Motion carried.

8. Closed Session: None.

9. Director's Comments and Future Agenda Items: None.

Adjournment: Seeing no further business, the meeting was adjourned at 6:33 p.m.

Future Meetings:

The next Board Meeting will be held on Tuesday, May 16, 2017 at 5:00 p.m.

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Assistant Secretary  
Charles Moorrees