

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, May 17, 2011

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:11 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Ken Willis, Dr. Fred Gattas, Tom Thomas, Brian Brandt, Will Elliott, and Glenn Bozar. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and Accounting/Personnel Clerk Joni Ruggles. Director Thomas presided.

- Call to Order
 - Salute to the Flag
1. Recognitions & Presentations: Mr. Moorrees introduced Anthony Herda a consultant for SAWCo's Urban Water Management Plan (UWMP) from Civiltec Engineering. Mr. Herda will provide the Executive Summary for the UWMP on Item 6C.
 2. Additions-Deletions to the Agenda: Mr. Moorrees added an article from the Inland Valley Daily Bulletin with regard to the Colonies issue which he placed on the dais. He informed the Board that the Daily Bulletin told him the article would be about historic spreading in the Cucamonga Basin. Mr. Moorrees also brought the Board's attention to a letter from the State Water Resources Control Board (SWRCB) in response to SAWCo's complaint regarding Paul Ridgeway's illegal water diversion and potential administrative action. The letter from SWRCB requires Mr. Ridgeway to respond and comply within 15 days of the date of the letter.

Mr. Moorrees also had a correction to Item 5C. The agenda states the report for April 20, 2011 which was intended for agenda Item 5D.

3. Shareholder-Public Testimony: None.
4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of April 19, 2011.
 - B. Approval of Organizational Meeting Minutes
Regular Meeting Minutes of April 5, 2011.
 - C. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Meeting Minutes of February 23 to be presented back to PROC on June 29, 2011.
 - D. Administration and Finance Committee (AFC) Meeting Minutes
No meeting to report.
 - E. Financial Statement
Income Statement and Balance Sheet for March 31, 2011 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 ongoing 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
 - USFS-Special Use permit for unauthorized water diversion-Ridgeway.

Director Dr. Gattas moved and Director Brandt 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 most recent meeting held May 11th. PVPA completed its annual audit in which there were no management issues. There was also an update on the reconstruction of the berms which PVPA is looking for reimbursement from the Federal Emergency Management Agency (FEMA). There is tentative approval to do the reconstruction in two steps. The first being to repair the berms to their original state at just under \$400,000, the second requires another \$350,000 to upgrade it so it's less likely to erode again.
 - B. **Six Basins Representative Report** – Ms. Layton reported on the advisory committee meeting held on April 27th in which the reevaluation of the operating safe yield for the year is under consideration. Wildermuth Environmental, Inc. (WEI) is to gather more information to present to the board. There were questions with regards to how the storage and recovery accounting is supposed to work. Three Valleys Municipal Water District (TVMWD) was exceeding their storage amount but taking it out before the year end. The issue will be put on the next agenda for further discussion. Watermaster staff was also notified by the City of Pomona of an old and improperly abandoned well in which the original owner is unknown. A proper report needs to be done stating what the request was and the details regarding the project. The watermaster does not believe it is responsible for the

well. It was also suggested that Request for Proposals (RFP) for legal counsel be advertised for the watermaster. A report on how to select and what to anticipate will be presented at the next meeting.

Director Thomas clarified that it would be on the next agenda for Six Basins to determine whether or not they want to consider RFP's for legal counsel.

The next Six Basins watermaster board meeting is scheduled for May 25th.

Director Thomas reported that due to a conflict for the mayor of Claremont that sits on the board, the meetings have been pushed to a later time. Also, WEI will be setting up a separate website for the watermaster. They will also continue to meet in the TVMWD boardroom until at least the end of the year free of charge.

Mr. Moorrees stated that he looked into why SAWCo was providing the Six Basins Report at Board meetings. At one time a city representative sat on the Six Basins Board so it was requested that his report be given at SAWCo's Board meetings. Mr. Moorrees stated that either the report be discontinued from the meetings or a Chino Basin Report can be added.

Director Thomas stated that the report did not take much additional time and is useful information. He requested the item stay on the agenda and to add a Chino Basin Report.

- C. **Administration and Finance Committee (AFC) Chairman's Report** – No AFC meeting to report.
- D. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – Mr. Moorrees reported that he presented three different projects that are not currently in SAWCo's budget at the most recent PROC meeting. He suggested that if SAWCo had a pipeline to recharge Chino Basin they would not lose water in the basin due to the inability to produce it. He is also suggesting making a connection to SAWCo's irrigation system to take advantage of the Frankish Stamm Tunnel and an alternative delivery to Holliday Rock. SAWCo does not utilize this tunnel and does not get credit for putting water from it in Basin 3 in the Cucamonga Basin. In the last five years 1,600 acre feet (AF) of water was lost due to this. If the connection to the Frankish Stamm Tunnel is made, SAWCo can deliver water to Water Facilities Authority (WFA). These recommendations will be brought to the Board in June.

6. General Manager's Report:

- A. **Insurance Renewal Proposal** – Ms. Layton reported that SAWCo's commercial package runs from June 1, 2011 to June 1, 2012. The current renewal fee quoted is \$52,637 which is a 4.5 percent increase over last year's premium. The quote was sent to Director Thomas for his review and comments. Director Thomas recommended paying the additional premium of \$419 so that SAWCo could increase the blanket property coverage by 4% inflation guard. The last time SAWCo received an insurance evaluation was in 2006. The insurance values of property were adjusted at that time. Director Thomas had questioned whether other quotes were obtained. Ms. Layton asked SAWCo's insurance broker who decided not to send it out for quotes due to several conversations with a number of insurance carriers. The other carriers that saw SAWCo's coverage and pricing stated they could not compete. It is recommended to send out insurance coverage for bid every two to three years unless there is an issue with current carrier. If underwriters are put through the effort of submitting quotes every year and do not receive the business they bid for they typically stop giving good quotes if they bid at all. SAWCo's insurance policy is unique and not every underwriter writes the same package.

Director Thomas stated that he agreed with the assessment. The insurance broker shopped extensively the previous year for quotes from various insurance companies and he felt SAWCo was getting a good deal.

Ms. Layton stated that the manager's recommendation is that the Board approves the renewal proposal received from American Alternative Insurance Company (AAIC) for the 2011-2012 Insurance Commercial Package with 'Excess Liability' to \$10 million and add the additional premium of \$419 to increase blanket property coverage by 4% inflation guard.

Director Elliott moved and Director Willis seconded to approve the managers recommendation. Motion carried.

- B. **Nossaman-Waiver of Conflict of Interest** – Mr. Moorrees reported that Fred Fudacz with Nossaman LLP currently represents the Water Company as "Special Counsel". Their firm proposes to engage legal services for the County of San Bernardino as it relates to federal and state funding and county related issues. Legal Counsel, Tom McPeters has reviewed the issue for potential problems as it relates to Nossaman firm's representation in Washington D.C. of the County and provided his response which was provided in the Board packet. A waiver letter was submitted by Nossaman LLP to be signed by SAWCo upon finding it satisfactory.

Mr. Moorrees recommended the Board agree that no problems would result to the Company by Nossaman LLP representing San Bernardino County and that the waiver of conflict letter as drafted by legal counsel be executed by the General Manager.

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

- C. **Urban Water Management Plan** – Mr. Moorrees reported that the first “Draft” of the 2010 UWMP Executive Summary as prepared by CivilTec Engineering was included in the Board packet. Mr. Moorrees explained that in 2005 SAWCo began preparing its first UWMP. It was adopted in 2006. At that time SAWCo submitted a plan as a retailer. SAWCo’s special counsel, Fred Fudacz, provided a legal opinion that SAWCo is better defined as a wholesaler. Less than ten percent of SAWCo’s shareholders are in the domestic area and the remaining shareholders are irrigation.

Mr. Moorrees suggested an optional special workshop with all Board members before the June Board Meeting if more details are needed on the UWMP. A public hearing and/or adoption is tentatively scheduled for the June Board Meeting. He then turned the report over to Mr. Herda with Civiltec Engineering.

Mr. Herda gave a summary of the UWMP he prepared as a consultant for CivilTec Engineering for SAWCo.

Director Thomas suggested taking the UWMP directly to a public hearing and then let the PROC and staff work on the Best Management Practices as a conservation wholesaler as it becomes available through California Urban Water Conservation Council. There was consensus on the Board.

Mr. Moorrees commented on how the first UWMP was confusing and gave praise to CivilTec Engineering and Anthony Herda for taking what SAWCo actually does and fitting into a plan that really works.

D. **Project Status Report** –

- **Euclid Waterline-SACE to ECW-1,200 LF of 8”** – Pre-construction meeting was held the previous Friday. The project will begin the following week and should be completed within 60 days.
- **20th St./Flower Court-Irrigation booster line connection** – Norstar will begin construction this week.
- **Demolition & removal of abandoned structures** – Winston Excavating is set to begin once insurance paperwork is received.
- **Well 25A – Drilling** – Mr. Moorrees has a meeting the following day with the hydrogeologist and the City of Upland planning staff to go over conditions of the approval.
- **Urban Water Management Plan** – Discussed previously in the meeting.
- **Chronological History Documentation**- Will be presented to the AFC May 31st.
- **Cucamonga Basin-Desilting project at crosswalls** – At a standstill in wait for authorization for a permit to utilize a haul route. A meeting is scheduled with John Holliday, Director Thomas, and Mr. Moorrees for the following day.
- **Forebay Improvements** – Currently with the San Bernardino County Building and Safety. Staff is trying to get the electrical work approved so that the project can be advertised for bid.
- **Water Rights Investigation** – A letter from the SWRCB was received and is seeking action with the United States (U.S.) Forest Service on Paul Ridgeway to compel him to sign the agreement with SAWCo. The water company did get the motion to comply and Mr. Ridgeway was reprimanded with a filing fee. Trial dates should be forthcoming.
- **Cucamonga Basin Management Plan** – Staff reviewed the plan with SAWCo’s hydrogeologist and sent a copy to SAWCo’s special counsel. Written response to the plan will be given to WEI by the end of the week.
- **Feasibility Study-Edison & Tunnel Ponds [Conserv. Levee]**- The hydraulic analysis from Camp, Dresser, and McKee (CDM) has been completed. A draft report should be received by the end of the following week.

7. Closed Session: None.

8. Director’s Comments and Future Agenda Items: Director Dr. Gattas inquired about the letter sent to Mr. Ridgeway. The letter gave Mr. Ridgeway 15 days to respond. Director Dr. Gattas asked that the Board be notified what the outcome is. Mr. Moorrees agreed to advise the Board when he receives word.

Director Thomas reminded the Board about the water facilities tour taking place May 26th. It will begin at 8 a.m. at the Upland Public Works yard. Mr. Moorrees advised the Board he would not be attending the tour.

Director Thomas also stated that there is a Leadership Breakfast on June 9th on Strategic Water Initiatives for California. He stated he would give the flyer to Mr. Moorrees to send an e-mail out to the Board to find if there is any interest in attending.

Director Dr. Gattas inquired if SAWCo is establishing a method by which to have the other Mt. Baldy homeowners sign the license agreement so there is not a repeat of what SAWCo is going through with Mr. Ridgeway. Mr. Moorrees described additional measures he is willing to take in getting Mr. Ridgeway to comply.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:54 p.m.

Assistant Secretary
Charles Moorrees