

**SAN ANTONIO WATER COMPANY**  
**MINUTES OF THE SAN ANTONIO WATER COMPANY**  
**Tuesday, May 20, 2014**

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:02 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Ken Willis, Will Elliott, Sue Sundell, John Gerardi, Bob Cable and Glenn Bozar. Also in attendance were City of Upland Public Works Director Rosemary Hoerning, SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions & Presentations: Mr. Moorrees placed on the dais two items; a letter to ASC Profile accepting their offer to coat the interior of SAWCo's reservoir tank as approved by the Board in April and a letter from San Antonio Community Hospital requesting bottled water for a fundraising event in June. No additional action is needed on either item.
- 2. Additions-Deletions to the Agenda: Mr. Moorrees corrected the printed date for the next Board meeting; it will be held on June 17<sup>th</sup> not June 24<sup>th</sup>.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
  - A. Approval of Board Meeting Minutes  
Regular Meeting Minutes April 15, 2014.
  - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes  
No meeting to report.
  - C. Administrative & Finance Committee (AFC) Meeting Minutes  
Approve February 25, 2014 meeting minutes.
  - D. Financial Statement  
Comparative Income Statement and Balance Sheet for March 31, 2014 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 – None.

Director Elliott moved and Director Sundell seconded to approve the consent calendar as presented. Motion carried with Director Glenn Bozar absent.

- 5. Board Committee – Delegate Report:
  - A. **Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported that PVPA met the previous Wednesday. The City of Pomona maintains most of PVPA's property and they are currently finishing weed abatement. Under the San Antonio Spreading Grounds Operating Plan PVPA is formalizing documents transferring some into Word.

There is pending legislation about the surface mining act in which the state would create a new government agency. The legislation is troublesome to mining companies and to agencies with local

control and property owners. Erroneous language in this legislation is being corrected before it is voted on by state legislature.

The Pit 6 project is complete allowing water to flow to spread into Pit 5 more easily.

- B. **Six Basins Representative Report** – Mr. Moorrees reported on the Six Basins Advisory Committee meeting. Mr. Thomas commented that the bulk of the meeting was in regards to the information about the national recreation area.

Director Glenn Bozar entered the meeting.

Mr. Moorrees stated that Belinda Faustinos from the San Gabriel Mountains Forever presented at the Six Basins Advisory Committee meeting and is the same woman that presented at SAWCo's April Board meeting.

Director Thomas noted that the boundaries changed from Ms. Faustinos' presentation to SAWCo in April to her presentation to Six Basins in May. The boundaries were moved to drop down and cover the spreading grounds on the Los Angeles County side. A letter was written to advise that Six Basins was in favor of the previous designation where the boundary stops at the dam. The City of Claremont was also concerned the new boundaries would take away some of their local control with putting in a national recreation area. A conference call was held between the basin president and Representative Judy Chu's staff to discuss the matter.

Mr. Moorrees' response was that people recreate in the area regardless of the designation and hopefully this resource will provide funding for combating water quality issues that come about due to people's recreational activities.

- C. **Chino Basin Representative Report** – Ms. Layton reported that she attended the court hearing regarding the Fontana Motion on April 25<sup>th</sup>. The judge ruled in favor of Chino Basin stating Fontana does not have the right to appropriate and divert surface water for groundwater recharge purposes nor do they have the right to recover surface water recharge to storage for later beneficial use.

The Fiscal Budget for 2014-2015 was approved at the most recent Appropriative Pool meeting. There is an opportunity to receive \$750,000 in grant money from Santa Ana Watershed Project Authority (SAWPA) for the Lower Day Basin project as identified in the Recharge Master Plan.

Appropriator's submitted a letter asking the Chino Basin Watermaster (CBWM) to utilize a different baseline period for the Safe Yield recalculation and Wildermuth Environmental, Incorporated is in the process of producing those calculations. There are still some issues to be addressed such as what defines "undesirable results". Future meetings and workshops will be held to facilitate this process.

The Regional Water Quality Control Board (RWQCB) accepted the Monitoring Plan, which results in lower cost associated with the required monitoring expenses. Inland Empire Utilities Agency (IEUA) and CBWM will be preparing a letter to RWQCB regarding expanding the Chino Basin Desalter Authority (CDA) production to 40,000 acre feet (AF) and also to explain how hydraulic control will be maintained into the future.

With regards to Watermaster Board compensation, currently there are two options available to the Board members; 1.) the Board member receives compensation or 2.) the Board member waives compensation. The Watermaster is asking the court to consider a third option which would allow the Board member to designate his/her compensation to his/her company or employer.

- D. **Administration and Finance Committee (AFC) Chairman's Report** – Director Sundell stated the items discussed at the AFC meeting are covered under the General Manager's Report for this meeting.
- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No meeting to report on.

6. General Manager's Report:

- A. **City Sewer charges to Water Company Yard Facility**– Mr. Moorrees advised the Board that recent discussions with Field staff in regards to the Yard Facility led staff to believe it utilizes a septic tank and is not connected to the City of Upland sewer system.

On March 11, 2014, staff made an inquiry to the City of Upland and was advised that the cost for verifying whether or not there was a connection to the City sewer was \$80. The City conducted a dye test the next day confirming staff's suspicion that SAWCo's Yard Facility was not connected to the City of Upland sewer main.

The resulting information was forwarded to the City of Upland Finance Department to begin the process of removing SAWCo's Yard Facility utility account from the bi-monthly billing system. It is not currently evident as to how long the City of Upland has been charging SAWCo sewer fees, however, City staff states they can only reimburse up to 4 years worth of charges. The total amount SAWCo will be credited is \$633.

Mr. Moorrees asked the Board provide comments as appropriate and to receive and file the report as recommended by the AFC.

Director Bozar questioned why the City of Upland would only reimburse four years worth of charges. He stated that something similar occurred at his company in Ontario where they were being charged according to the neighboring property's consumption for over 10 years and were able to receive a \$49,000 credit. Ms. Hoerning commented the four year maximum reimbursement is per the City of Upland attorney and is imbedded in law.

There was consensus on the Board to receive and file the information.

- B. **Citizens Patrol Contribution** – Mr. Moorrees reported that a request was made for a donation of funds towards this organization. The Water Company has contributed annually to the Citizen's on Patrol. For the last several years the Board has approved a contribution of \$1,000.

Ms. Sundell moved and Mr. Bozar seconded to recommend the Board approve a contribution of \$1,000 to the San Antonio Heights Citizen's on Patrol. Motion carried.

- C. **Classification & Compensation Study** – Mr. Moorrees stated that the Classification and Compensation (Class & Comp) Study is budgeted for this year. The last Class & Comp Study was completed in 2005. When it was presented to the AFC it was suggested that staff look at the scope of the Request for Proposal (RFP) to be certain what was being requested. Previously, market research, legal compliance of human resources documents, and compensation and benefit plans were studied. As a result, SAWCo's employee handbook was updated; slight changes to the benefit plan and to the wage ranges also took place. Due to the many changes with respect to employee's job duties and lack of job description for the general manager a new study was deemed necessary. A copy of the RFP to be sent to prospective consultants was included in the Board meeting packet.

Ms. Sundell inquired as to whether, under the section the Compensation Survey, it was appropriate to indicate that SAWCo does not want to be grouped in with the big water companies. Mr. Moorrees agreed that SAWCo should not be grouped in with larger companies such as Metropolitan Water District (MWD) but should be compared with water companies that have similar staffing and routine

operations. Ms. Layton suggested that staff would report to the Board what companies are going to be included in the study. Mr. Moorrees stated that during the kick off meeting with the consultant, staff would give them a list of companies to look into for comparison. Director Gerardi felt it was up to the consultant to compile the comparison group or peer group. It was agreed that the comparison group would be brought to the Board to review before the study begins.

There was consensus on the Board.

**D. General Liability Insurance and Cyber Liability renewal-** Mr. Moorrees advised the Board that this is SAWCo's annual renewal of general and cyber liability insurance. The water company received quotes for general liability insurance from Arch Insurance and Allied World Insurance; American Alternative Insurance declined to provide a quote stating they cannot compete with SAWCo's current carrier. A quote from Philadelphia Insurance for cyber liability insurance was also received.

The water company's insurance broker, EPIC, is recommending SAWCo stay with their current carrier, Arch Insurance who provided a quote with a \$7,076 reduced premium compared to the previous year. Allied World Insurance provided a quote for \$350 less than Arch Insurance, however, it provides less coverage. The quote for cyber liability from Philadelphia had a premium increase of \$28.

Mr. Moorrees proposed the Board agree with the AFC recommendation to approve Arch Insurance Company's proposal for general liability at an annual premium of \$36,494 and a separate proposal from Philadelphia Insurance Company for cyber liability at an annual premium of \$3,439 as presented.

Director Thomas clarified that the insurance does not just cover general liability it also covers property, vehicle, equipment, directors and officers, and umbrella coverage. It is quite a comprehensive plan with excellent coverage. Ms. Layton stated it covers everything but worker's compensation which will be brought to the Board at the next Board meeting.

Director Gerardi moved and Director Bozar seconded to approve utilizing Arch Insurance for general liability at an annual premium of \$36,494 and Philadelphia Insurance Company for cyber liability at an annual premium of \$3,439. Motion carried.

**E. Request change in Annual Uniform Policy-Allowance –** Mr. Moorrees presented a proposal to change the policy for SAWCo's uniform allowance for field operations staff. Current approved annual clothing allotment for field personnel is \$330 used for purchase of required T-shirts, work shirts, sweatshirts, jackets, caps with Company logos and non-logo items such as boots and jeans as needed on an annual basis. Upon discharge, employees are required to return items purchased with Company logos to the Water Company. Mr. Moorrees distributed a copy of the current uniform allotment spreadsheet. About 86% is spent on boots and jeans.

Mr. Moorrees asked the Board to approve the AFC recommendation to change the Water Company's Uniform Policy for Field Operations as presented to pick up the cost for company identified clothing items and keep the current approved allowance for Company work boots and jeans at \$330 per year.

Director Willis moved and Director Cable seconded to approve the manager's recommendation as presented. Motion carried.

**F. Fee Schedule Amendment –** Mr. Moorrees stated that on April 16, 2013, the Board adopted the revised fee schedule; however, with new developments on the rise staff surmised that the fees charged for meters and service lateral installations were not sufficient to cover the Company's actual costs.

Mr. Moorrees reviewed the changes in the types of meters SAWCo previously used and now currently utilizes. He explained the difference in the cost of the previous and current meters. Also, SAWCo

utilizes an MXU device within the meter box which permits off-site meter reading via radio signals. Staff did not consider the cost for these MXU's in calculating the existing Meter/Box fees.

Additionally, SAWCo did not consider the breakdown of labor and materials for the piping and customer valve within the meter box. Staff presented the meter, meter box, and service lateral charges approved on June 18, 2013, effective September 1, 2013 and then presented the actual costs incurred by SAWCo for these same items. Also included were the fees for valves, piping, and labor which were previously left out of the equation for determining installation fees.

| <b>Meter Size</b>                   | <b>¾"</b>      | <b>1"</b>      | <b>1 ½"</b>    | <b>2"</b>      | <b>4"</b>  |
|-------------------------------------|----------------|----------------|----------------|----------------|------------|
| Current Meter/Box Fee               | \$233          | \$327          | \$490          | \$750          | Estimated  |
| <b>Proposed Meter/Box Fee</b>       | <b>\$584</b>   | <b>\$677</b>   | <b>\$1,089</b> | <b>\$1,308</b> |            |
| <b>Increase =</b>                   | <b>\$351</b>   | <b>\$350</b>   | <b>\$599</b>   | <b>\$558</b>   |            |
|                                     |                |                |                |                |            |
| Current Service Lateral Fee         | \$2,100        | \$2,100        | \$2,200        | \$2,344        | Estimated  |
| <b>Proposed Service Lateral Fee</b> | <b>\$2,326</b> | <b>\$2,579</b> | <b>\$2,792</b> | [Estimate]     | [Estimate] |
| <b>Increase =</b>                   | <b>\$226</b>   | <b>\$479</b>   | <b>\$592</b>   |                |            |

Director Gerardi inquired as to what the issue was with plastic piping. Mr. Moorrees replied there are two concerns with plastic piping. The first concern being the striations that occur when the pipe is bent when making service connections, this is usually where leaks occur. Also, the pipe is always moving because of water flowing through which causes rubbing and abrasion against the rocky ground causes pinhole leaks.

Director Elliott moved and Director Sundell seconded to approve the amending of the adopted fee schedule for meter/box fees and service lateral installation based on actual cost presented effective June 1, 2014. Motion carried.

- G. First Quarter Transfer from Depreciation & Obsolescence Reserves** – Mr. Moorrees explained that in 2003, the Board adopted reserves for Master Plan Projects; however, the Forebay Improvement project was not part of the Master Plan. As such, it was funded through operating expenses not through reserves.

The Money Market Account began to dwindle as payments for the Forebay Improvement project were made. With all of the reserves incorporated in the Depreciation and Obsolescence (D & O) Reserves and all of the payments made for the Forebay Improvement project as well as for other expenditures the Money Market Account was nearly drained of funds. As such, a transfer was made of \$500,000 from the D & O Reserves from the Local Agency Investment Fund (LAIF) account into SAWCo's Money Market Account to fund CY2014 budgeted capital projects including the retention for the Forebay Improvement project.

Ms. Layton stated that when SAWCo first began the Forebay Improvement project it was not a Master Plan Project so the funds in the D & O Reserves were not available for use. There is not a problem with funding the project overall, the fact that it was not designated as a Master Plan Project is what caused the need to transfer funds from the D & O Reserves to the Money Market Account.

Opening a separate account specifically for D & O Reserves to better track the usage of funds was suggested at the AFC meeting.

Director Thomas inquired as to whether this is a one-time correction. Ms. Layton replied that the only other scenario in which funds would need to be transferred from D & O Reserves to the Money Market Account would be if SAWCo's rates did not cover their operating expenses.

Director Elliott moved and Director Gerardi seconded to receive and file the transfer of \$500,000 from SAWCo's LAIF D & O Reserves account to their Operating account. Motion carried.

**H. New Tyler Billing** – Mr. Moorrees advised the Board that with the new billing system currently being installed, a change in the company that processes online payments is necessary. Tyler Technologies only works with two different companies for online billing none of which are SAWCo's current provider. In working with transferring over service to the new online billing company, SAWCo has run into problems with setting up the ability to accept American Express (AMEX) credit card. In order to set up an account the company wants personal information on SAWCo's current Board President and requires that SAWCo change its charter to show Mr. Thomas as the president. The position of president has the possibility of changing every year. As such, SAWCo has decided it will no longer accept AMEX. Only about one-sixth of SAWCo's online bill payers use AMEX but all shareholders will be notified of the change.

**I. Project Status Report –**

- **Mountain Drive – ECW – 1,500 LF 8" Waterline** – Currently in the design phase. Will advertise for bid in June.
- **Vista Waterline – 900 LF of 8" Waterline** – Currently in the design phase. Will also advertise for bid in June.
- **Well 26 Rehabilitation - Replace pump** – Currently operational. An increase in production has been noticed.
- **Well 32 Rehabilitation – Replace submersible with vertical turbine** - Installation complete. Testing for water quality this week. Planned for operation by the following week.
- **Well 25A Site improvements per City CUP - Carry Over CY2014** – Staff is resubmitting plans for the block wall and landscaping the following day.
- **WFA Pipeline Connection** – The plans for the project have been completed. Exhibits are being sent to the WFA for review and presented to the PROC at their next meeting.
- **Basin 6 Desilting** – The consultant reported that all of the biological studies have been completed and is in the process of meeting with the Department of Fish and Wildlife and the United States Army Corps of Engineers and the Regional Water Quality Control Board (RWQCB) to walk these agencies through the project.
- **Cucamonga Basin** – Desilting project at crosswalls – The consultant reported that all of the biological studies have been completed and is in the process of meeting with the Department of Fish and Wildlife and the United States Army Corps of Engineers and the RWQCB to walk these agencies through the project.
- **Water Rights Investigation – Activity** – Staff met with the United States Forest Service (USFS) forest supervisor and the new district ranger. Information is being compiled that was required from State Water Resources Control Board. Mount Baldy Home Owners Association and Shea are also required to submit their water rights information. SAWCo has requested that Mt. Baldy HOA, Shea, SAWCo and the USFS meet to ensure all of the data is correct and consistent. A follow up meeting was requested. Bear Canyon and Icehouse Canyon will eventually be brought into the water rights investigation.

7. Closed Session: None.

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

Adjournment: There being no further business the meeting adjourned at 5:43 p.m.

Future Meetings:

- The next Regular Board Meeting will be held on Tuesday, June 17, 2014 at 5 p.m.

May 20, 2014

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Assistant Secretary  
Charles Moorrees