

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, June 17, 2014

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:01 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, Glenn Bozar, Sue Sundell, John Gerardi, and Glenn Bozar. Also in attendance were Ron Ellison and Robbie Ellison of Mt. Baldy Ski Lifts, Justin Scott Coe of Monte Vista Water District, Ryan Shaw of the City of Ontario, and SAWCo's General Manager Charles Moorrees and Accounting and Personnel Clerk Joni Ruggles. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions & Presentations: Mr. Moorrees stated that Ron Ellison of Mt. Baldy Ski Lifts is present to speak on Agenda Item 6C and asked that this agenda item be moved to the top of the General Manager's Report on Activities list.
- 2. Additions-Deletions to the Agenda: Mr. Moorrees corrected the dates for Item 4G on the agenda. The dates for the Tyler Technologies billing set up should read January 2014 through November 2014.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes May 20, 2014.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Approve March 25, 2014 meeting minutes.
 - C. Administrative & Finance Committee (AFC) Meeting Minutes
No meeting to report..
 - D. Financial Statement
Comparative Income Statement and Balance Sheet for April 30, 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
 - Citizens Patrol letter of thanks for the contribution
 - Save the Date for the SBC Water Conference
 - San Antonio Canyon Watershed Clean Up Day Flyer

Director Elliott moved and Director Sundell 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 that at the most recent PVPA meeting the president was absent and as vice president Director Thomas chaired the meeting. A proposed Senate Bill with regards to more centralized control in Sacramento over mining did not make it past the committee stage. PVPA leases many pits for mining to Holliday Rock and were opposed to the bill.

Harvey Mudd College has requested the ability to do some bee keeping on PVPA spreading grounds below the San Antonio Dam. Legal counsel for PVPA put together requirements for insurance and it looks as though the bee keeping will move forward.

A report was given at the PVPA meeting detailing the spreading PVPA has done so far this year. Director Thomas stated that in 2005 PVPA spread about 30,000 acre feet (AF) and so far this year it's been less than 300 AF.

- B. **Six Basins Representative Report** – Mr. Moorrees reported on the Six Basins Advisory Committee meeting held on May 28th. The committee adopted the 2013 Annual Report. A brief discussion took place regarding the PVPA's request to have their property removed from the National Recreation Area designation. Drafting a letter regarding the Wild and Scenic designations on that bill is being considered.

A Strategic Planning Workshop was held directly after the Advisory Committee meeting to discuss expanding and enhancing recharge capacity of the Thompson Creek spread grounds to capture majority of the storm flows.

- C. **Chino Basin Representative Report** – Mr. Moorrees reported that at the June 12th Appropriative Pool Meeting the parties approved water transactions for various entities that will go to the Board in July. One of the transfers was to Fontana Water Company from SAWCo in the amount of 1,000 AF at \$496.00 per foot. There was some discussion about any constraints on the overlying rights purchase from the City of Ontario from Aqua Capital Management. The manager replied that the same rule applies to all transfers.

The Non-Agriculture Pool has motioned to set their own quorum which goes before the Court on July 11th. Any opposition needed to be in by June 6th and none was noted.

There is now a third option that has been approved by the Board with regard to Chino Basin Watermaster Board compensation; an individual is now allowed to designate his or her compensation to his or her company or employer.

The issue of the Environmental Protection Agency's (EPA) water transfer rule was discussed; however, more information will be obtained when information is presented by watermaster's legal counsel at the next Appropriative Pool Meeting.

Earlier in the day there was a committee meeting on land subsidence. Evidence of subsidence was noted in the Peace I Agreement believed to be a product of over pumping in Chino Hills. At that time it was agreed upon that subsidence would be monitored. Recently, subsidence has been noted in Ontario and Pomona as well. SAWCo has been opposed to paying fees as a result of agencies that over pump or developers that are developing on land that is subsiding.

- D. **Administration and Finance Committee (AFC) Chairman's Report** – No meeting to report on.
- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – All items discussed at the PROC meeting are included in the General Manager's Report on Activities.

6. General Manager's Report on Activities:

- C. **Mt. Baldy Ski Lift Agreement – First Amendment to License Agreement** – Mr. Moorrees stated that the purpose of this item is to renew the existing agreement with the Mt. Baldy Ski Lift to divert SAWCo's water rights at the San Antonio Falls for the purpose of generating snow.

In 1992, Mr. Peter Olson, President of Mt. Baldy Ski Lift addressed the board on a proposal to construct a second reservoir for snowmaking purposes at the Mt. Baldy ski Area. Their proposal

includes pumping approximately ten million gallons of water per year from San Antonio Canyon just below the San Antonio Falls to be used solely for snowmaking purposes. This would result in holding the water on the mountain for a longer period of time, releasing it back into the canyon stream later in the year as the snow melts. That decision was held until the Water Company obtained the Opinion and Water Rights Study which was completed July 1993 indicating the latitude for the Company to consider their request for diversion.

On May 16, 1994, Mt. Baldy Ski Lifts became the owner of 96 shares of SAWCo stock and requested water service. A License Agreement was executed by the Board and Mt. Baldy Ski Lift on October 14, 1994 and a right to exercise such right began in October 16, 1994, with a 20-year license termination date of February 28, 2015.

Since the agreement, Mt. Baldy Ski Lift had difficulty moving forward with their project due to institutional issues and came to a halt due to environmental constraints. These constraints have been removed and their project is currently being reviewed for permits by the United States Forest Service (USFS).

Ron Ellison spoke to Board about Mt. Baldy Ski Lifts submitting a development plan to the USFS to take water from the San Antonio Falls. The plan was rejected due to issues with their backside development. They have met with the regional forester and the issue has thus far been resolved. A permit for a zip line are in the works and tent camping will be available on the site. A couple of diversion area plans were submitted to the USFS; copies were provided to the Board. Mr. Ellison is uncertain as to which set of plans submitted will be approved. Mr. Ellison also introduced his son, Robbie Ellison, the general manager of the ski area.

Director Thomas advised that if a letter of support for the project would be beneficial, either himself or Mr. Moorrees would draft one to be sent to the USFS.

Mr. Moorrees recommended the Board approve the First Amendment to the License Agreement with Mt. Baldy Ski Lift for another 20 years beginning January 2015 as drafted by Legal Counsel and as recommended by the PROC.

Mr. Robbie Ellison described the three concepts Mt. Baldy Ski Lifts proposed to the USFS for this project.

Director Willis moved and Director Elliott seconded to approve the First Amendment to the License Agreement with Mt. Baldy Ski Lift for another 20 years beginning January 2015. Motion carried.

B. Amended and Restated Water Service Agreement – Monte Vista Water District – Mr. Moorrees reported that this request is to amend the existing water service agreement with the MVWD to include acquisition of additional shareholdings and extend the terms for another 5 years. The current Water Service Agreement with the MVWD is for 307.50 share holdings. MVWD has increased their shareholdings by 9.50 shares since the original agreement was signed.

Director Thomas clarified that other than adding the 9.5 shares that MVWD has acquired since the original agreement and extending the terms for five years there are no other changes to the agreement. Mr. Moorrees agreed.

Mr. Moorrees recommended the Board approve the “draft” First Amendment to the Amended & Restated Water Service Agreement with the MVWD to include an additional 9.5 shareholdings for a total of 317 shares of common Water Company stock and to extend the terms another 5 years subject to legal review per the PROC recommendations.

Director Gerardi moved and Director Bozar seconded to recommend the Board approve the general manager’s recommendation. Motion carried.

- A. WFA Local Water Supply Agreement**– Mr. Moorrees reported that the agreement with the Water Facilities Authority (WFA) located on Benson Avenue in Upland is to allow the Company to deliver groundwater from its adjacent site on 17th Street and Benson Avenue to the WFA for the purpose of distributing water to its agency shareholders (MVWD, City of Ontario, City of Chino, City of Upland) that currently receive water delivery from the WFA.

In 2010, staff presented the conceptual project along with a “draft” Term Sheet from the WFA to deliver raw surface water from SAWCo to the WFA treatment plant to develop options for its members that are also Water Company shareholders. Due to certain water quality restrictions on the Water Company’s surface water delivery, staff considered alternative plans to deliver water from its adjacent groundwater wells in Six Basins.

These plans to connect the Water Company’s wells at 17th Street and Benson Avenue to the WFA are now complete and incorporated in the agreement. The project has been advertised for construction bids for tentative award at the July 15th Board meeting. On May 27th, the PROC recommended the Board approve the WFA Local Water Supply Agreement subject to legal review. Legal counsel’s comments on the “draft” agreement are in bold on the copy given to the Board. There are no significant changes to the agreement itself it is more of a clarification of terms.

Mr. Moorrees recommended the Board approve the WFA Local Water Supply Agreement to allow water delivery from the Water Company as recommended by the PROC and authorize the Manager to execute the agreement subject to legal review.

Director Elliott moved and Director Sundell seconded to approve the general manager’s recommendation. Motion carried.

- D. Workers Compensation Insurance** - Mr. Moorrees advised the Board that annual renewal for workers’ compensation insurance is due by July 1, 2014. The item did not go to the advisory committee prior to the Board due to the timeframe when the quote was received and the committee meeting schedule.

SAWCo’s current workers compensation insurance is with State Compensation Insurance for the policy term July 1, 2013 through July 1, 2014. The water company’s insurance broker, EPIC, sent information to other insurance carriers for quotes; however, each one declined to send a quote. State Compensation Insurance responded, however, with a reduction in rates based on SAWCO’s experience modification.

Staff provided the quote to the President of the Board and it appears that renewing with State Compensation is the best and only option at this time for workers compensation insurance and “they have provided a very competitive quote” with a premium of \$16,417 [Taxes and fees not included]. With the prior year premium of \$16,650, there is a \$233 savings. SAWCo budgeted \$28,618 for worker’s compensation insurance for 2014.

Mr. Thomas commented that many insurance companies will use higher premiums when quoting tougher work classes. Some carriers will require anywhere from \$25,000 to even \$100,000 premium with smaller accounts such as SAWCo. He felt that if SAWCo had been a larger company some of the carriers would have provided quotes but they still may not have been as competitive as State Compensation Insurance.

Mr. Moorrees proposed the Board approve renewing State Compensation Insurance Fund proposal for Workers’ Compensation insurance at an annual premium of \$16,417.

Director Bozar inquired as to how many claims SAWCo filed last year. Mr. Moorrees replied none.

Director Bozar moved and Director Gerardi seconded to approve renewing State Compensation Insurance Fund proposal for Workers' Compensation insurance at an annual premium of \$16,417. Motion carried.

F. **Project Status Report –**

- **Mountain Drive – ECW – 1,500 LF 8” Waterline** – Bids will be opened on June 27th with award on July 15th.
- **Vista Waterline – 900 LF of 8” Waterline** – Bids will also be opened on June 27th with award on July 15th.
- **WFA Pipeline Connection** – Has been advertised for bid with bid opening on June 27th and award of project on July 15th.
- **Upland Hills Golf Course Irrigation Pipeline Replacement Project** – Was designed in house. Will be advertised for bid this week with bid opening and award in August.
- **City Treatment Plant Surface Water Delivery – Dissolved Air Issue** – Staff met with Mark Williams with WMI to discuss solutions and alternatives. He will submit a proposal shortly. City of Upland has been informed of responsibility to pay their portion of the project.
- **Basin 6 Desilting** – The consultants have met with regulatory agencies with regard to waivers so that the project can begin in late July or August. The proposed access road on 20th Street is still being reviewed by Mr. Phil Burn.
- **Cucamonga Basin** – Desilting project at crosswalls – The consultants have met with regulatory agencies with regard to waivers so that the project can begin in late July or August. The proposed access road on 20th Street is still being reviewed by Mr. Phil Burn.
- **Water Rights Investigation – Activity** – Staff met with the Mount Baldy Home Owners Association, Snowcrest Heights Improvement Association (SHIA), and the USFS with respect to the requirement to respond to the State Water Resource Control Board (SWRCB) on how they are delivering their rights. Staff is expecting a response from SWRCB shortly and another meeting may be scheduled with all parties involved to reach an agreement.
- **Chino Basin Recharge Pipeline** – The plans are 90 percent complete. There are some permitting issues that need to be resolved.

7. Closed Session: None.

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

Adjournment: There being no further business the meeting adjourned at 5:34 p.m.

Future Meetings:

- The next Regular Board Meeting will be held on Tuesday, July 15, 2014 at 5 p.m.

Assistant Secretary
Charles Moorrees