

# SAN ANTONIO WATER COMPANY

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## MINUTES OF THE SAN ANTONIO WATER COMPANY

### Tuesday, June 21, 2011

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 Ken Willis, Dr. Fred Gattas, Tom Thomas, Will Elliott, Sue Sundell, and Glenn Bozar. Also in attendance were SAWCo's General Manager Charles Moorrees, and Accounting/Personnel Clerk Joni Ruggles as well as Anthony Herda from Civiltec Engineering. 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 was present to provide a presentation if needed during the Public Hearing portion of the meeting. Mr. Moorrees also pointed out SAWCo's new batch of bottled water of which a bottle was placed on the dais for each director along with a copy of staff's comments regarding Wildermuth Environmental, Inc.'s (WEI) study on the Cucamonga Basin Management Plan.
  2. Additions-Deletions to the Agenda: Mr. Moorrees requested adding a Quitclaim request from Pomona Valley Protective Agency (PVPA) for properties north of 16<sup>th</sup> Street and east of Los Angeles County and San Bernardino County lines. The document was added as agenda Item 71.
  3. Shareholder-Public Testimony: None.
  4. Consent Calendar Items:
    - A. Approval of Board Meeting Minutes  
Regular Meeting Minutes of May 17, 2011.
    - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes  
Meeting Minutes of February 23, 2011 to be presented back to PROC on June 29, 2011.
    - C. Administration and Finance Committee (AFC) Meeting Minutes  
Receive & File minutes of March 29, 2011.
    - D. Financial Statement  
Income Statement and Balance Sheet for April 30, 2011 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 ongoing 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
      - Letter to Assemblyman Solorio regarding AB54.
- Director Willis moved and Director Dr. Gattas seconded to approve the Consent Calendar Items as presented. Motion carried.
5. Board Committee – Delegate Report:
    - A. **PVPA Representative's Report** – Director Thomas reported that after more than seven years PVPA is closing escrow on approximately 26 acres of property on the north side of Baseline Road just east of the 210 freeway.

- B. **Six Basins Representative Report** – Mr. Moorrees reported that at the June 21<sup>st</sup> board meeting they considered adopting the Six Basins Watermaster report of 2010 subject to legal review of some carryover rights for Claremont. Water levels have continued to increase due to the large volume of water that was spread in 2010. WEI advised not to change the operating safe yield amount mid-year. It was agreed that the operating safe yield would remain the same. The board also agreed to disengage membership in the Association of Groundwater Agencies. They also reviewed storage and recovery accounting rules and regulations with respect to storage limits and the consequences for exceeding them. A workshop is scheduled for the following day to work out the details. A change in the time the board meets is being considered. The proposal for legal counsel was tabled and will be revisited at the beginning of the year. Pomona requested the watermaster look into and resolve the issue of an improperly abandon well. Motion was made that wells be properly abandoned by the responsible party which in this case is Pomona not the watermaster. Three Valleys Municipal Water District (TVMWD) announced that they may have access to three million dollars for funding of the five million dollar project to extend the pipeline in the San Antonio Spread Grounds.

Director Thomas stated that the TVMWD project is somewhat controversial in the fact that TVMWD only has rights to spread 1,000 acre feet (AF) a year and they have existing pipeline that will handle more than that amount. The basis of the project was that some time in the future TVMWD would be able to spread 15,000 AF per year in the basin. The basin is a small basin that reacts quickly and the only years that amount could be spread is when there is a lot of native water in which there would already be an issue with rising groundwater.

- C. **Chino Basin Representative Report** – This item is typically presented in the Prominent Issues Report in the Calendar Items. The Board recently stated that they would like it to be included in the Delegate Reports portion of the Board meetings. Mr. Moorrees is SAWCo's representative to Chino Basin Pool and Advisory Committee. He reported that the advisory committee met the previous week and recommended approval of the 2011/2012 budget. It will go to the watermaster board later in the week for final approval. Metropolitan Water District (MWD) has 50,000 AF of water for sale at \$409/AF. The watermaster is looking at purchasing the water to supply the replenishment need of the basin. A workshop is scheduled on July 5<sup>th</sup> to discuss whether or not to utilize the Inland Empire Utilities Agency (IEUA) to help fund the water purchase or a special assessment. The local storage agreement will go to the board for approval on June 23<sup>rd</sup> for agencies purchasing this water.
- D. **Administration and Finance Committee (AFC) Chairman's Report** – Director Dr. Gattas reported the AFC did a preliminary review of the 401(k) and benefits plan for SAWCo employees. The recommendation of the committee was to eliminate the second sentence of the first item in Director Dr. Gattas' and Director Brandt's comments submitted to SAWCo staff. The committee also agreed to hold meetings monthly until the issue of the 401(k) and benefits plan was resolved. It was suggested the next meeting be held on June 28<sup>th</sup> at 1:30 p.m. instead of 9 a.m. The Board was in agreement with the time change.
- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – There was no meeting to report on. Director Thomas noted that the next PROC meeting is scheduled for nearly the same time as the Six Basin's Watermaster meeting. It was agreed that the time of the PROC meeting would be moved to 2 p.m.

6. Public Hearing:

- A. **"Draft" Urban Water Management Plan (UWMP)** – Anthony Herda from Civiltec Engineering, Inc. who prepared the UWMP spoke about the document and about its adoption. After the plan is adopted a copy will be submitted to the state library and the department of water resources within 30 days. Mr. Herda explained the changes that were made from the previous draft that was submitted to the Board. Most notably, the change to a water wholesaler from a retailer.

There were no public comments on the topic. The item went to the Board for adoption as listed in Item 7G.

7. General Manager's Report:

G. **Adopt Resolution No. 2011-06-01 for 2010 Urban Water Management Plan (UWMP)** – Director Dr. Gattas moved and Director Sundell seconded to adopt the 2010 UWMP. Motion carried.

A. **Worker's Comp Insurance Renewal Proposal** – Director Thomas stated that a small water company isn't a real desirable account for an insurance company to take on because they have the hazards of a big company with employees working out in the field but not a real big premium base. There were only two viable quotes, one from State Fund Insurance Agency, Inc. and one from SAWCo's current carrier. SAWCo's current carrier came in at a significantly lower cost.

Director Thomas moved that SAWCo stay with their current Worker's Comp Insurance carrier. Director Elliott seconded the motion.

Mr. Moorrees clarified that the recommendation is not only for the insurance in the amount of \$32,433 but also the additional budget appropriation of \$9,000.

Director Thomas stated that his motion can be considered as including the additional budget appropriation of \$9,000. Motion carried.

B. **Citizens Patrol Request for Contribution** – Mr. Moorrees stated that SAWCo has been contributing to the San Antonio Heights Citizen's Patrol since 2006. The patrol helps monitor the Heights up to the Mt. Baldy area.

Mr. Moorrees recommended the Board authorize staff to make a \$1,000 contribution to the Citizen's Patrol for Operations as recommended by the AFC.

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

C. **History Documentation** – Mr. Moorrees reported that originally this item was presented to the Board but it was tabled and referred to the AFC to make some necessary changes. In May, the AFC made tentative recommendation for Board approval to receive and file the History Documentation on the premise that the corrections as noted were made. Staff has completed their final review and corrections as noted.

Mr. Moorrees recommended the Board receive and file the final History Documentation and approve a budget appropriation of \$14,000 for completion of this report.

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

D. **Proposed Project Development for CY2011-** Mr. Moorrees stated that all proposed projects, the Pipeline for Chino Basin Recharge Project, the Frankish & Stamm Tunnel Pipeline Connection Project, and the Pipeline Installation to Water Facilities Authority (WFA) Project were brought before the PROC and the AFC.

Mr. Moorrees recommended the Board agree with the Advisory Committees to approve the planning and design of the above listed projects at \$50,000 per project with a total of \$150,000 to be completed in this calendar year from Capital Reserves.

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

E. **Direct Deposit** – Mr. Moorrees explained that wages for workers have always been distributed by check with two authorized signatures ensuring accountability. Over the years, employees have

asked for direct deposit for payroll checks. This means that the employee no longer receives a check but that their pay is directly deposited into their bank account.

Working with Citizens Business Bank, staff recently implemented direct deposit for payroll. While a few employees chose to continue to receive a check, the majority requested direct deposit which was made available on the first payroll in May, 2011. However, it was noted that it would require the same person preparing the payroll to transfer funds up to \$25,000 for this purpose.

Staff conferred with their auditor, Bowen McBeth, to discuss concerns and methods to maintain proper internal control per accounting standards. It was agreed that the Assistant Manager would review the direct deposits with respect to bank statements for reconciliation and accounting control.

Mr. Moorrees recommended the Board ratify Managements decision and policy to provide direct payroll deposit, and to allow the Personnel and Accounting Clerk to transfer up to \$25,000 to facilitate payroll with provisions of internal accounting controls in place as described.

Director Sundell moved and Director Dr. Gattas seconded to approve the managers recommendation. Motion carried.

- F. **Ad Hoc Committee on Legislative Issues** – Mr. Moorrees advised the Board about a Senate Bill and Assembly Bill that are currently being reviewed. Senate Bill SB918 is currently on the Senate floor but has not been approved yet. It provides for four year term limits for SAWCo's Board of Directors. SAWCo would then have to amend their bylaws to include the change which would take effect in January 2012. A two year staggered Board term was suggested to prevent a great number of Board members changing at one time.

Assembly Bill AB54 was recently approved by the Assembly and is currently being reviewed in the Senate. This bill targets small mutual water companies that are currently mismanaged and fiscally unsound. It will require reports and information to be provided to the Local Agency Formation Commission (LAFCO); provide a financial reserve fund similar to those of a municipality; require each board member to complete a 2-hour course in water within 6 months of taking office; and would authorize the commission to approve or disapprove the annexation of the Water Company by a city, public utility or a special district that operates within its territory.

The Water Company's legal counsel drafted a letter, which was included in the Board packet, that was presented personally to Solorio's office on Wednesday, June 15, 2011. SAWCo is also engaged with the lobbying firm of Rose & Kindel in Sacramento to provide an action plan to push for an amendment or exclusion before it comes to a vote on the Senate floor.

Mr. Moorrees recommended the Board discuss and provide direction to staff regarding the Board's desire to create an Ad Hoc Committee to monitor proposed legislation that may impact the Company and its operations.

Director Willis commented that there might be other local agencies that SAWCo interacts with that might be interested in working together to look out for legislation that would impact small water companies.

Mr. Moorrees stated that he spoke with the general manager of Cal Domestic in Brea, California who opposed the AB54 and received an exemption as a mutual benefit corporation. He has acquaintances that are lobbyists in Sacramento and he agreed to keep Mr. Moorrees up to date on any new legislation.

It was determined that Director Thomas and Director Willis along with Mr. Moorrees would be responsible for keeping abreast on legislative issues.

H. **Project Status Report –**

- **Euclid Waterline-SACE to ECW-1,200 LF of 8”** – Project is 50% complete.
- **Tunnel Pipeline Improvement** – Staff is meeting with a vendor for the interior lining on Friday. Any roots will need to be scraped out prior to the lining being put in. Once the lining is put in, root intrusion will no longer be a problem.
- **Reservoir 6** – Advertising bids for the 100,000 gallon tank on Friday. The project will be awarded on July 19, 2011.
- **20<sup>th</sup> St./Flower Court-Irrigation booster line connection** – Completed.
- **Demolition & removal of abandoned structures** – Completed.

I. **Quitclaim Deed** – A map and verbal description was given of the area the quitclaim will cover.

Director Thomas explained that the property is set to close escrow on Friday. There were previous easement rights for the Euclid Water Company, which is now SAWCo. There are no facilities on this property. The buyer wants to make certain that water company facilities will not be built on the property. Director Thomas advised of the ability for SAWCo's general manager to sign the quitclaim when approved.

Mr. Moorrees stated that legal counsel, Tom McPeters, is working on the language of the quitclaim to make certain it protects SAWCo's water rights.

Director Thomas moved and Director Elliott seconded to authorize the quitclaim deed to be executed by the general manager as soon as possible. Motion carried.

8. Closed Session: None.

9. Director's Comments and Future Agenda Items: Director Thomas reminded the Board about the special AFC meeting on Tuesday, June 28, 2011 at 1:30 p.m.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:58 p.m.

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Assistant Secretary  
Charles Moorrees