

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, June 21, 2016

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, Will Elliott, Glenn Bozar, Sue Sundell, and John Gerardi. Also in attendance were Pierce Rossun with Carollo Engineers, C. Shem Hawes with Civiltec Engineering, Inc., SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton, and Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions and Presentations: Mr. Moorrees congratulated Ms. Layton on her promotion to Assistant General Manager. He then introduced Mr. Hawes with Civiltec Engineering, Inc. and Pierce Rossun with Carollo Engineers who will both be presenting later in the meeting. Mr. Moorrees also reminded the Board about the 12th Annual Watershed Clean-up Day taking place Saturday, July 9th.
- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes May 17, 2016.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report.
 - C. Administrative and Finance Committee (AFC) Meeting Minutes
AFC Meeting minutes of April 26, 2016.
 - D. Ad Hoc Committee Office/Yard Relocation Meeting Minutes
Approval of Ad Hoc Meeting Minutes of April 13, 2016.
 - E. Financial Statement
Comparative Income Statement and Balance Sheet for April 30, 2016 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 – None.
 - Letter of appreciation from Citizens Patrol for contribution

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

- 5. Board Committee – Delegate Report:
 - A. **Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported on the most recent meeting. Debris in the retention basins on the Claremont side is being cleaned out by a construction company to improve percolation. The City of Pomona is continuing to weed abate.

The manual for the maintenance of the spreading grounds that was ordered by West End Consolidated on behalf of PVPA to manage the San Antonio Spreading Grounds as part of Six Basins is being distributed.

- B. Six Basins Representative Report** – Mr. Moorrees reported on a Special Six Basins Watermaster Meeting held on June 8, 2016 to discuss the Strategic Plan implementation and Proposition 1 Grant Fund opportunities.

Proposed projects and objectives were also discussed. Watermaster staff proposed applying for a Planning Grant pre-application for between \$40,000 and \$50,000. Although watermaster will prepare the application, institutional arrangements require a water agency to submit the application for the Grant. Three Valleys Water District (TVMWD) volunteered to make the application on behalf of the parties with a Memorandum of Understanding (MOU) for the party participation. The choice for the grant applications will be based on groundwater sustainability.

An Advisory Committee meeting has been scheduled for the following day to review the draft recommendation for sustainability injury analysis for TVMWD proposed Well 3. The draft application for the Proposition 1 funds will also be discussed.

- C. Chino Basin Representative Report** – Ms. Layton reported on the Chino Basin Watermaster 2015 Safe Yield Reset Agreement (SYRA). The Judge continued the scheduled hearing from June 10, 2016 to June 24, 2016 at 1:30 p.m. The attorney for the Agriculture Committee will be out of the country on June 24th and has asked to court to continue the hearing until July 29th. The court granted the July 29th date due to a family emergency for Judge Reichert. Jurupa Community Service District (JCSD) has now filed a continuance until either August 5th or August 12th due to the General Manager returning from leave and being a key witness. The court has not yet responded to this request.

Due to the SYRA not being approved and currently being challenged in court, the Watermaster did not issue an assessment package last year and instead assessed an interim fee equal to 50% of the previous year's charges. The City of Chino wants the desalter obligation to be included in the assessment and is therefore voting against the assessment package. The Pools and Advisory committees have approved the assessment package with City of Chino opposing. If the Board approves the assessment package at the next Board meeting, invoices will be mailed and payment will be due by July 25, 2016. Another assessment will be due in November which will put them back on schedule.

The Special Budget Committee continues to work on getting better control over the budget. The next meeting is scheduled for June 30th at 10 a.m. An Engineering Committee may be formed to keep engineering costs in line.

- D. Administration and Finance Committee (AFC) Chairman's Report** – Ms. Sundell reported that staff development was discussed.

Mr. Moorrees added the rescheduling of June's regular AFC meeting to the beginning of the month to discuss the Water Rates and Fees Study which is presented to the Board on Item 7E on the agenda.

- E. Planning, Resources, & Operations Committee (PROC) Chairman's Report** – Mr. Elliott advised that all items discussed at the PROC are under the General Manager's Report on Activities.

- F. Office Feasibility Study Ad Hoc Committee** – Ms. Layton reported a kick off meeting with Claremont Environmental Design Group (CEDG) was held on June 15th. CEDG was awarded the task of the Needs Assessment. Interviews with office and field staff are scheduled for Friday, June

24th. Staff is expecting a questionnaire to distribute and prepare staff for the interview. The next Ad Hoc meeting will depend on deliverables from CEDG.

6. Open Public Hearing on Urban Water Management Plan:

Mr. Moorrees advised a copy of the "Draft" Urban Water Management Plan (UWMP) was included in the Board Meeting packet. He introduced Mr. Hawes with Civiltec Engineering, Inc. to provide a brief presentation on the "Draft" UWMP.

Director Thomas questioned whether this item is a public hearing. Mr. Moorrees advised that it is and notice was posted in the local newspaper twice.

Mr. Hawes gave a summary of the "Draft" UWMP which is a planning document for water supply and delivery required by the State of California. The submittal deadline for the UWMP is July 1, 2016.

Director Thomas opened the item up for public questions. Seeing none the item went up for Board adoption.

7. General Manager's Report on Activities:

A. Adopt Resolution No. 2016-06-01 for 2016 Urban Water Management Plan (UWMP) –

Director Elliott moved and Director Gerardi seconded to approve the adoption of Resolution No. 2016-06-01 for the UWMP. Motion carried.

B. Edison Pond Expansion Study – Mr. Moorrees stated the final study by Cannon Engineering for the Edison Pond Expansion Study was submitted to the PROC on May 17th with recommendation for the Board to receive and file the report.

Director Gerardi moved and Director Bozar seconded to receive and file the final report on the Edison Pond Expansion Study by Cannon Engineering. Motion carried.

C. Tunnel Water Delivery Disposition – Mr. Moorrees advised that staff met with the State Department of Drinking Water (DDW) on April 29th. Directions provided by DDW requires staff to take daily bac-t samples from the Tunnel for a period of two weeks. Staff began taking daily bac-t samples beginning Monday, May 3rd with the final sample taken on May 13th. Out of all the samples taken, only one came back absent of bacteria. Staff submitted the final results and the final Technical Memorandum from Aquality Engineering to the State. After review of the final round of water quality sampling, DDW requires SAWCo achieve a 4-Log removal by disinfection by providing a minimum of 3 hour contact time prior to delivery into the domestic system. This needs to be achieved in order for DDW to allow the Tunnel to be placed back into the domestic system

In earlier calculations, the consulting hydraulic engineer estimated the travel time from Shaft 6 to the Forebay to be at 3 hours. Moving the existing disinfection system from the Forebay to Shaft 6 with a mixing system of injection into the Tunnel pipeline with a post disinfection system at the Forebay should meet the DDW criteria.

Mr. Moorrees requested the \$400,000 originally budgeted for UV Treatment at the Tunnel be re-appropriated to allow for constructing housing for and relocating of the Hypochlorite Generation System (MIOX) system to Shaft 6. He is currently in the process of obtaining bids for the work.

Thus far staff has obtained information on the cost to construct housing for the MIOX system which should total \$75,000. SAWCo's electrical contractor, KSM Electric, has given an estimate of \$45,000 for the electrical work needed on the project. Mr. Moorrees believes \$200,000 is needed to complete the project.

Staff obtained a proposal from BESST, Inc. in the amount of \$16,075 to complete a tracer study to make the final determination on the amount of contact time from Shaft 6 to the Forebay. This data will then be submitted to the DDW for review and approval. Work on moving the MIOX system will take place after approval of the tracer study findings from DDW.

Mr. Moorrees recommended the Board 1) re-appropriate \$200,000 of the budgeted \$400,000 from Depreciation and Obsolescence (D&O) Reserves in CY2016 for the Forebay UV System to the project to construct housing for the relocated Hypochlorite Generation System (MIOX) and 2) approve staff to engage with required contractors, sub-contractors, and vendors to expedite the construction and relocation project as appropriate.

There was some confusion on the Board as to where the funds for the project were coming from. Mr. Moorrees clarified that \$400,000 is budgeted for CY2016 to purchase UV Treatment for the Tunnel. The determination from DDW in regards to SAWCo's Tunnel allows SAWCo to utilize their MIOX system to treat the tunnel water instead of using UV Treatment. The \$200,000 requested for moving and housing the MIOX system to treat the Tunnel water is being taken out of the \$400,000 already appropriated for Tunnel UV treatment.

Mr. Moorrees reiterated Tunnel water is SAWCo's cheapest water source at just over \$3/acre foot (AF). Other water sources such as Well 32 and booster, and Wells 15, 16, and 18 cost SAWCo \$162/AF and \$148/AF respectively.

Director Bozar moved and Director Elliott seconded to approve the General Manager's recommendation to re-appropriate \$200,000 of the \$400,000 originally budgeted from the D&O Reserves in CY2016 for the Forebay UV System to the project to construct housing for the MIOX system and approve staff to engage with required contractors, sub-contractors, and vendors to expedite the construction and relocation project as appropriate. Motion carried.

- D. 22nd Street Irrigation Booster Line** – Mr. Moorrees advised the Board that the City of Upland awarded a project to C.P. Construction for the replacement of a waterline on 22nd Street in Upland, California. Once the project is completed the City of Upland will have 22nd Street fully repaved with a 5 year moratorium on any street cuts.

SAWCo has been working with the City of Upland regarding concern of the Company's existing 14" 10 gauge irrigation line in the street. Staff determined this waterline has exceeded its asset life and recommends replacing it with the City of Upland's project providing a potential savings of \$160,000 for the cost of paving.

Originally staff requested 14 inch pvc pipe for the waterline, however, 12 inch ductile iron pipe will provide the flow SAWCo needs. The bid from C.P. Construction for the project came in at \$399,550.

Mr. Moorrees recommended the Board approve the project to replace the Company's 14" irrigation pipeline, appropriate \$440,000 from D&O Reserves, approve staff to negotiate cost for and contract to replace the Company's 14" waterline with approximately 3,650 linear feet of 12" ductile iron pipe.

Director Gerardi moved and Director Sundell seconded to approve the General Manager's recommendation. Motion carried.

- E. Proposals for Water Rate And Fee Study** – Mr. Moorrees reported that on March 18th staff submitted letters to Carollo Engineers, Raftelis Financial Consultants (RFC), and Black & Veatch requesting proposals to develop the Water Company's rate structure. These proposals were presented to the AFC on June 7th for comment and recommendation.

The AFC recommended the Board award the contract to Carollo Engineers and staff to negotiate the price. Carollo Engineers reduced their price from \$78,393 to \$72,924.

Director Gerardi inquired as to why there was such a variance in costs between the three proposals received. Mr. Moorrees replied that one consultant didn't understand how SAWCo operates and provided a 'cookie cutter' approach to the study. Another consultant only partially understood SAWCo's operations. These two approaches were less costly but did not provide the product SAWCo needed to prepare various scenarios.

Pierce Rossun with Carollo Engineers provided a presentation about the company and what services they are going to provide SAWCo in the Water Rates and Fee Study. The purpose of the study is to be able to adequately fund operations and capital in an equitable manner while minimizing the rate impact. This will be achieved by reviewing existing tiered rates, looking at industry trends, potential alternatives to the existing rate structure and making certain it is as equitable as possible to all shareholders. To achieve financial resilience they will try to understand shareholders who use all of their entitlement, not all of it, or more. Cost of service starts with revenue requirement analysis to determine what the costs are over the short and long term. Functional cost analysis will define equity determining who is using the water, how costs are incurred and whether they are variable or fixed costs. Rate design will be analyzed to figure out what is the best, fixed versus variable split.

Some of the challenges will be monthly entitlement distribution (shareholder mechanisms add complexity), understanding how shares are being utilized, reviewing the leasing of unused entitlements, and determining if the same benefits are being received from unused entitlement.

SAWCo is unique in terms of having a retail and wholesale system as well as having shareholders. No one rate structure will meet all the objectives equally. All aspects will be looked at such as possible rate structures, assessments, readiness to serve charges, water availability charges, and the possibility of having certain rates tie to the source of supply. Can different rates be charged for where the sources of water are coming from?

Carollo Engineers has served over 300 clients in the state of California recognized industry experts on rates and rate setting.

Director Gerardi questioned whether readiness to serve charges for inactive shareholders would be looked into and whether credit would be issued for shareholders that do not use all of their entitlement during a billing cycle. Mr. Rossun replied that these are being looked into as well as a multitude of other possibilities. Whether or not SAWCo has the technological capability to do these things will further aid in deciding what items to implement.

Mr. Moorrees recommended the Board approve Carollo Engineers to prepare the Company's Water Rate and Fee Study and appropriate funds from Operations as appropriate.

Director Bozar moved and Director Gerardi seconded to approve Carollo Engineers to prepare SAWCo's Water Rate and Fee Study in the amount of \$72,924 for Operations. Motion carried.

- F. Workers Compensation Insurance – Mr. Moorrees advised the annual renewal for Workers' Compensation Insurance is due by July 1, 2016. SAWCo received a proposal from State Compensation Insurance as well from JPRIMA using Zenith. State Compensation Insurance's annual premium is less than JPRIMA's Zenith annual premium.

Mr. Moorrees recommended the Board approve renewing Workers' Compensation Insurance through State Compensation Insurance Fund at an annual premium of \$20,277.

Director Thomas moved and Director Elliott seconded to approve the General Manager's recommendation. Motion carried.

G. Project Status Report –

- **WFA Pipeline Connection** - Management met with DDW and WFA staff regarding the Bin classification. DDW made an error in their recommendation that SAWCo take bi-monthly samples

for one year for cryptosporidium and giardia. They failed to require SAWCo take bacteriological samples during the time period as well. DDW approved SAWCo making the connection to WFA with the agreement that LT2 samples taken by the City of Upland from the previous year and the current year could be submitted. SAWCo can deliver water from Well 31 to WFA through this connection as well, however, it has high nitrates and dbcp's. SAWCo has been working with Evoqua who has biological treatment equipment on using Well 31 as a possible pilot site. This would require the City of Upland and Cucamonga Valley Water District (CVWD) to participate in the pilot program. The state advised they would not approve CVWD having a pilot plant at one facility they would need it at all facilities. This has caused CVWD to back out of the arrangement. The City of Upland has also backed out of requesting Proposition 1 funding for this pilot program. If MVWD and City of Ontario will participate in the pilot program SAWCo can proceed in delivering water from Well 31 to the WFA and make the pre-application to Proposition 1 funding.

- **Water Master Plan** – The planning criteria, stakeholder requirements, and hydraulic modeling will be developed over the next three months.
- **Basin 6 Desilting** – The initial study is being finished. It will be up for 60 days for the comment period. The City of Upland had no comments on the initial study.
- **Cucamonga Basin – Desilting Project at Crosswalls** – A letter of approval for the Holliday Rock haul route was received from the City of Upland's Planning Administrative Committee. The application to Army Corps of Engineers for a nationwide permit is needed. The office of Diane Feinstein responded that they cannot control the expedition of this project but they can encourage the regulators to move forward on it. Army Corps of Engineers will need 60 days to process the application for the permit. SAWCo is moving forward with amending the environmental portion of the adopted mitigated negative declaration to accommodate the alternative haul route on 22nd Street. It has been submitted to the City of Upland for review who is requiring notifying residents within 1,000 feet.

Director Thomas felt SAWCo needed to go out to bid on this project for the clearing of the rock and silt from the site and repairing the walls. Mr. Moorrees stated that once approval is received to move forward he could consider bids and present it to the PROC and then to the Board of Directors. Director Gerardi echoed Director Thomas' statement.

7. Closed Session: The Board of Directors and Mr. Moorrees exited the meeting and entered into closed session to carry out the General Manager's Performance Review at 6:04 p.m. [subdivision 9b) of Section 54957, CGC]

Mr. Moorrees returned to the meeting from closed session at 6:38 p.m.

The Board of Directors returned from closed session to the meeting at 6:51 p.m. Director Thomas advised the performance review for the General Manager was complete. No direct information on the cost of living was available during the closed session therefore the Board deferred to the AFC to look at cost of living and make any recommendations to the Board at that time.

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

Adjournment: Seeing no further business the meeting was adjourned at 6:52 p.m.

Future Meetings:

- The next Board Meeting will be held on Tuesday, July 19, 2016 at 5:00 p.m.

Assistant Secretary
Charles Moorrees