

# SAN ANTONIO WATER COMPANY

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## MINUTES OF THE SAN ANTONIO WATER COMPANY

### Tuesday, July 16, 2013

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:03 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, Ken Willis, Sue Sundell, Glenn Bozar, and John Gerardi. Also in attendance were SAWCo's General Manager Charles Moorrees and Accounting and Personnel Clerk Joni Ruggles, the City of Upland Public Works Director Rosemary Hoerning and the City of Upland Mayor Ray Musser. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions & Presentations: Mr. Moorrees recognized Accounting and Personnel Clerk, Joni Ruggles, for standing in for the Assistant Manager of Administration and Finance, Teri Layton, in operating the computer and taking notes during the meeting.
- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: Director of Public Works, Rosemary Hoerning, stated she wished to speak on agenda item 6F. It was agreed that when the item came up on the agenda she would return to the speaker podium.
- 4. Consent Calendar Items:
  - A. Approval of Board Meeting Minutes  
Regular Meeting Minutes June 18, 2013.
  - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes  
Approve April 30, 2013 meeting minutes.
  - C. Administrative & Finance Committee (AFC) Meeting Minutes  
No meeting to report.
  - D. Financial Statement  
Comparative Income Statement and Balance Sheet for May 31, 2013 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 appreciation for donation dated 6-18-13.

Director Elliott moved and Director Willis seconded to approve the consent calendar as presented. Director Bozar questioned Item 4D and the decline in income revenue. He asked Mr. Moorrees to explain the variations. Mr. Moorrees explained that domestic billing is bimonthly and the City of Ontario entitlement transfer from Chino Basin has been delayed by a month. The effect of these two items will be apparent in the next two income statements provided to the Board. Motion carried.

- 5. Board Committee – Delegate Report:
  - A. **Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported on the recent meeting of July 10<sup>th</sup>. The water spread report showed there is very little water being spread. San Bernardino County Flood Control District is still working on quitclaiming their easements on the east side of the channel. Pit 6 discussions continue about needed maintenance and the possibility of PVPA and Six Basins participating. There is an owner of a five acre parcel

adjacent to the Thompson Creek Spreading Grounds that has contacted PVPA twice inquiring if they have any interest in purchasing the land. PVPA has yet to make a decision on whether or not they wish to purchase the land.

- B. **Six Basins Representative Report** – Mr. Moorrees stated that he anticipates that at the next Board Meeting the watermaster staff will present a Reciprocal Agreement to utilize the Groundwater Model owned by Chino Basin. The meeting is scheduled for Wednesday, July 24<sup>th</sup>.
  - C. **Chino Basin Representative Report** – Mr. Moorrees reported that the regular Appropriative Pool meeting was cancelled in July. A special meeting of the Appropriative Pool will be held on July 18<sup>th</sup> to discuss the Sunding Report. The economist will be making a presentation on the economic benefit of achieving hydraulic control. There is also an Annotated Judgment Workshop on July 17<sup>th</sup>. The committee has been meeting on a regular basis discussing the Recharge Master Plan Update Amendment project rankings and in lieu projects. The next meeting will be held on July 18<sup>th</sup>.
  - D. **Administration and Finance Committee (AFC) Chairman’s Report** – Director Thomas stated that the AFC will have a closed session for the performance review of the general manager.
  - E. **Planning, Resources, & Operations Committee (PROC) Chairman’s Report** – The items discussed at the most recent PROC meeting are reported in detail during the General Manager’s Report.
6. General Manager’s Report:

- A. **Tunnel Spread & Edison Ponds – Additional Cost Consideration** – Mr. Moorrees explained that this project was originally budgeted for \$20,000. Staff determined that adding more sand and gravel will enhance filtration. Sand and gravel was added at an additional cost of \$8,450. This information was presented to the PROC with recommendation to ratify the additional expenditures.

Director Gerardi moved and Director Elliott seconded to ratify the additional \$8,450 for the adding of sand and gravel to the Tunnel Spread Ponds. Motion carried.

- B. **Assembly Bill AB 240 (Rendon) – Mutual Water Companies** – Mr. Moorrees reported that this bill was presented to add sections to the Corporations Code to amend Section 116755 of the Health and Safety Code relating to Mutual Water Companies. SAWCO’s legal counsel is monitoring this bill to see what provisions would affect the company if it passes. Mr. Moorrees explained that much of this bill is not applicable to SAWCo because the Brown Act and Public Records Act were adopted into the company’s bylaws. Also, the provisions of the Health and Safety Code identifies Mutual Water Companies whose shares are appurtenant to the land as opposed to the Water Company shares are privately held.

An advantage of this bill is that it will permit the board of directors of a mutual water company, if authorized by its articles or bylaws, to record a notice of lien against a shareholder’s property if the shareholder has not timely paid any rate, charge, or assessment arising from, or related to, water services provided by the mutual water company to the shareholder’s property and if the shareholder was given at least 20 days’ notice of the lien.” [Note AB 240, Section 1, (Section 14304 added to the Corp Code)] This would be a new tool to collect water charges and assessments and an amendment to the bylaws would be needed if this Section ends up becoming law. Mr. Moorrees felt that SAWCo’s stock auctions may be a better way to recover owed monies because it reintroduces the stock back into circulation.

- C. **Assembly Bill AB 145 (Perea) – Transfer of Safe Drinking Water Programs** – Mr. Moorrees reported that when this bill came forward, staff responded it oppose and amend the bill before it went to the Senate committee. The bill seeks to transfer the Drinking Water Program from the State Department of Public Health to the State Water Resources Control Board. Staff does not agree with the transfer of program administrators but does agree that the State Drinking Water Programs

needs to be amended to fix the state revolving fund. The opposition letter was approved by the PROC and a copy of the letter was included in the Board Packet.

Mr. Moorrees asked that the Board ratify the Manager's response and receive and file.

Director Willis questioned whether a list of the parties for and against the bill was available. Mr. Moorrees said he was not privy to that information but he did know that American Water Works Association and Monte Vista Water District were also against the bill.

There was consensus on the Board to ratify the Manager's response to AB 145 and receive and file.

- D. **Paloma Curve Hydro Station Disposition** – Mr. Moorrees reported that SAWCo has a facility located at Paloma Curve and Park Boulevard. The Board minutes reflect that in 1983 the facility was leased to the City of Upland to equip and operate the hydro facility. Surface water from the Company's Forebay is delivered via "Penstock" pipeline to drive the turbines. This pipeline is still active today and parallels the Water Company's irrigation waterline from the Forebay facility.

SAWCo has received complaints of a low frequency hum generated from water flowing through the pipeline from a homeowner that purchased the property in 2009. In November of 2009 staff received a notice from the homeowner's legal counsel making a formal notice of the potential nuisance anticipated by the owner and neighbors if the proposed hydroelectric generator is operated full time.

The homeowner approached the City of Upland engineer about his issue recently. Staff met with the City of Upland's engineer to discuss the homeowners concern on the disposition of the hydro facility. It is SAWCo's understanding that the City of Upland has no interest in operating the facility and has allowed their license to operate the facility lapse.

The Water Company has no plans to activate this facility and has no issue with demolishing the existing building; however, the existing underground piping is to remain active which staff believes to be the source of the noise.

This issue was presented to the PROC on June 9, 2013 with a recommendation to work with the City of Upland and the homeowner in finding the best scenario for the future of the facility; and to work with Monte Vista Water District (MVWD) who may be interested in the mechanical equipment for the hydro station considering that they currently operate two hydroelectric facilities.

Mr. Moorrees recommended that the Board consider the PROC recommendation to direct staff to work with the City of Upland, the homeowner, and MVWD on the disposition of the hydroelectric structure and make recommendations for Board approval as appropriate.

Director Gerardi moved and Director Bozar seconded to approve staff working with the City of Upland, the homeowner, and MVWD on the possible disposition of the hydroelectric structure and make recommendations for Board approval as appropriate. Motion carried.

- E. **Cucamonga Basin 6 (A) – Budget Appropriation for desilting** – Mr. Moorrees explained that Basin 6 is a recharge basin for Cucamonga groundwater basin. Staff observed that the basin is not percolating, and possibly evaporating, at about an inch per day. As the basin is drying out staff feels it is an opportune time to desilt the basin and enhance percolation.

A proposal for excavating, loading, and hauling the material to Reservoir 1, water pumping, and street sweeping was received from GRB Equipment Rental. A geotechnical consultant will advise the depth of silt to remove and perform infiltration. The total cost presented to the PROC was \$120,000.

Mr. Moorrees recommended the Board agree with the PROC recommendation to appropriate a budget of \$120,000 to desilt Basin 6 from the Depreciation and Obsolescence Reserve.

Director Bozar questioned what the potential capture of water would be. Mr. Moorrees stated at one time there was over one foot of percolation per day after the initial desilting was done.

Director Bozar moved and Director Gerardi seconded the recommendation by the PROC to appropriate a budget of \$120,000 to desilt Basin 6 from the Depreciation and Obsolescence Reserve. Motion carried.

- F. **Three Valleys Water District – Upland – SAWCo Interconnect Project** – Mr. Moorrees advised that this item was presented to the PROC in June who recommended the proposal be presented to the Board as informational item only. Mr. Moorrees explained at one time, Three Valleys Municipal Water District (TVMWD) and the Water Facility Authority (WFA) considered constructing a pipeline interconnect between the two treatment plants called the “Miramar Pipeline”. Staff has discussed the possibility of working collaboratively with the City of Upland and TVMWD and resurfacing the project to provide interconnection for flexibility in water deliveries based on water availability.

Ms. Hoerning spoke her concerns with the term sheet that was provided. Her main concern was with Number 9 which talks about 2,000 acre feet (AF) per year minimum deliveries over a five year average and delivery in the winter months when there might be surpluses of delivering 100 AF. Ms. Hoerning calculated that delivery would be at about 188 AF/month. She felt it was like giving TVMWD water rights. The term requested for the agreement is 30 years and the price and rate requested was a melded rate between the City of Upland’s highest cost water rate and SAWCo’s least cost water rate. This would mean that the City of Upland would be selling water to TVMWD at a lower rate than they would be giving to some of their own customers.

Director Thomas thought the pricing should include SAWCo’s highest cost water rate not lowest.

Ms. Hoerning stated that the City of Upland purchases about 5,000 AF/year from WFA which is very expensive water. She felt that TVMWD is trying to build reliability and flexibility within their own district. In addition, the cost savings calculation discounts the investment TVMWD made to construct the pipeline and operate and maintain the pipeline. There is a great benefit derived out of the proposal presented for TVMWD. Ms. Hoerning spoke with Rick Hansen, the General Manager for TVMWD, who stated this proposal was an initial step in discussing the possibility of providing an interconnect. Ms. Hoerning felt it was worth discussing further but at a future time due to her availability schedule and also because of the lack of water availability due to a dry year. She wants to make certain that the City of Upland receives their entitlement through SAWCo so they can maintain their deliveries to customers.

Director Thomas asked if Ms. Hoerning had provided a written response to Mr. Moorrees with regard to the proposal. Ms. Hoerning replied she had not as she did not realize the proposal had been sent to Mr. Moorrees until receiving the Board Packet with it listed on the agenda.

Director Thomas also questioned if it was possible that West End Consolidated would be involved with their significant producing rights in the San Antonio Spreading Grounds. Ms. Hoerning stated that her main concern was making the City of Upland customers a priority.

Director Gerardi asked for clarity and questioned if the underlying premise of the proposal is delivery flexibility. Ms. Hoerning stated that TVMWD would like an intertie because the water they receive through Metropolitan Water District (MWD) is at a treated rate and it is more expensive than any water that the City of Upland would purchase, which gives TVMWD access to water at a lower rate. The term sheet provided by TVMWD commits to a minimum of 2,000 AF on a five year average. Ms. Hoerning feels there are a lot of conditions that are geared toward the benefit of TVMWD and not for the City of Upland and possibly SAWCo.

Director Gerardi stated that if the underlying premise is delivery flexibility then it should be done in as much of a cost neutral method where no entity benefits at the expense of another participating entity.

Director Thomas commented that SAWCo's customers should not be shortchanged when it comes to water supply and with a drought three or four years out of every 10 years, guaranteeing a certain amount to TVMWD may not make sense.

Director Willis felt the item was too complicated to make a final decision on at this time. He suggested that Ms. Hoerning, Mr. Moorrees and a one or two Board members meet to discuss the item. Director Willis suggested Director Gerardi due to his background as a city engineer and city manager as well as Director Thomas.

Mr. Moorrees stated that this item was presented for information only with no action taken. Staff has the same concerns that the Board does with regards to the terms presented. SAWCo's intent was to deliver raw water through WFA and wheel it to TVMWD; not to deliver groundwater or treated water which is what TVMWD desires. Mr. Moorrees stated that staff would need to meet with Rick Hansen to discuss terms.

Director Thomas mentioned that Mr. Moorrees expressed a desire to meet with Rick Hansen first and then have a subsequent meeting with Ms. Hoerning, Director Gerardi and Director Thomas.

Ms. Hoerning reiterated that she has a full plate at work and weather has been dry for several years. She felt there were other issues that required more attention. Director Thomas commented that this issue precedes the construction of the 210 freeway and the process is not a quick one. He suggested deferring to Ms. Hoerning's schedule to go any further.

It was agreed that no action be taken at this time.

#### G. **Project Status Report –**

- **City Treatment Plant Surface Water Delivery – Dissolved Air Issue** – Staff met with Mark Williams who will provide a technical report at which time a meeting will take place with the City of Upland staff to discuss.
- **Well 25A – Site Improvements per City CUP** – Mr. Moorrees met with the engineer who will be revising the plans to resubmit with the City of Upland moving forward.
- **Cucamonga Basin – Desilting project at crosswalls** – Mr. Moorrees has a meeting scheduled with John Holliday the following day to discuss revising some of the conditions on the permit issues with respect to notice requirements. Mr. Moorrees is also putting together a temporary access agreement with Phil Burum (Colonies Partners) to allow access use for the haul route on 20<sup>th</sup> Street. Approval is anticipated by October.
- **Forebay Improvements {CY2013 Budget \$1,932,798}** – Pictures were shown of the north and south retaining wall, and the new irrigation box.
- **System Map Update** – Near completion.
- **Water Rights Investigation** – Activity – Waiting for a response from the State Water Resources Control Board as well as Michael Gagan. Coordination with Congresswoman Judy Chu with respect to the United States Department of Agriculture's response is also in the works.
- **WFA Pipeline Connection** – Mr. Moorrees submitted revised plans to the engineer.

#### 7. Closed Session:

- A. The Board recessed to closed session for the General Manager's Performance Review [subdivision 9b) of Section 54957, CGC] at 5:48 p.m.
- B. Director's Comments and Future Agenda Items: Director Thomas reported that in the next six months there would be a management workshop where the Board will get together with key staff members and review. A follow up meeting to look at some of the key issues and goals for the

upcoming year with the same ad-hoc/personnel committee will take place. A salary increase to \$165,000 per year for the general manager will be in effect as of July 1, 2013. The ad-hoc/personnel committee will review the general manager's health care package when the company looks at healthcare packages for the following year and make adjustments as appropriate at that time.

Adjournment: Director Gerardi thanked the ad-hoc/personnel committee for the work they have been doing in regards to the general manager's review.

Director Bozar thanked Ms. Hoerning for her points on the TVMWD interconnect project. Director Thomas advised that SAWCo needs to proceed carefully so as to ensure proper service to its shareholders.

There being no further business the meeting adjourned at 6:29 p.m.

Future Meetings:

- The next Regular Board Meeting will be held on Tuesday, August 20, 2013 at 5 p.m.

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Assistant Secretary  
Charles Moorrees