

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, August 16, 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, Ken Willis, Sue Sundell, Bob Cable, and John Gerardi. Also in attendance were resident Jane Willis, City of Upland's Public Works Director Rosemary Hoerning, Justin Scott-Coe with Monte Vista Water District (MVWD), and SAWCo's General Manager Charles Moorrees and Accounting and Personnel Specialist Joni Ruggles. Director Thomas presided.

- Salute to the Flag

Director Glenn Bozar entered the meeting.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: None.
3. Shareholder-Public Testimony: Ms. Hoerning spoke about Agenda Item 6A regarding the Well 31 biological treatment pilot plant. A meeting was held subsequent to the July Planning Resource and Operations Committee (PROC) meeting with herself, Steve Corrington, and Tom Olsen. They spoke at great length about the system itself and offered to put in the \$40,000 pilot system with no financial obligation from SAWCo or the City of Upland for the system to be implemented. The pilot system will treat Nitrates and Dibromochloropropane (DBCPs). If the City of Upland or SAWCo is able to get grant funding and decides not to use it towards the pilot system or choses to use a different vendor there would still be no cost to put in the pilot plant. If SAWCo or the City of Upland does decide to move forward with the project with this particular vendor and system the \$40,000 original cost will be imbedded in the final construction costs. The final cost for the project would be just under 3 million dollars and would treat 1,000 gallons per minute (gpm). Well 31 was chosen because it has the highest contaminant levels which would allow for utilization of other water supply through a blending process. Ms. Hoerning felt this was a low risk opportunity with potential larger benefits and recommended moving forward with the pilot plant to see how it performs.
4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes July 19, 2016.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
PROC Meeting minutes of May 24, 2016.
 - C. Administrative and Finance Committee (AFC) Meeting Minutes
No meeting minutes to report.
 - D. Ad Hoc Committee Office/Yard Relocation Meeting Minutes
Meeting minutes of June 15, 2016
 - E. Financial Statement
Comparative Income Statement and Balance Sheet for June 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.

Director Gerardi moved and Director Bozar 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 PVPA meeting. It was noted that the City of Pomona is completing weed abatement. The Finance Committee recommended a balanced budget with money being put into reserves. The easement for the landlocked property in Thompson Creek is an ongoing issue.

B. Six Basins Representative Report – Mr. Moorrees reported on the Six Basins Watermaster Board Meeting held on July 27, 2016. The Board approved staff to prepare the application for Proposition 1 Grant Funding as relative to the Strategic Plan implementation. The cost is \$49,838 which will cover the project background, goals, documentation, schedule, budget, and purpose for the project. The application will be submitted to the Board for review on September 28, 2016. Additional parties outside of Six Basins, such as Puente Basin and Pomona Fairplex, may be interested in participating in the project. They will participate in cost sharing making the total for Six Basins \$40,776, and \$4,531 for Puente Basin and Pomona Fairplex respectively.

Additionally, staff updated the Board on the bulletin for groundwater basin boundaries. The next step in the process is to meet with the Department of Drinking Water (DDW) to discuss the strategy for managing the fringe areas that are adjacent to San Gabriel Basin.

Mr. Moorrees also updated the SAWCo Board on the Cucamonga Basin. Teri Layton, Assistant General Manager of SAWCo, will move forward with the City of Upland and Cucamonga Valley Water District (CVWD) in basin management and modernizing the judgment. They will be looking at the basin plan to see what the next steps are in regards to lowering the Operating Safe Yield and also working with Inland Empire Utilities Agency (IEUA) and CVWD on the pre application for Proposition 1 Grant Funding which includes the Well 31A biological treatment pilot plant.

Director Thomas commented on the possibility of merging Board meetings with workshops in the Basin.

Director Willis inquired whether SAWCo included the public on the basin plans. Mr. Moorrees replied they have not been included in the past but can be in future basin planning.

C. Chino Basin Representative Report – Mr. Moorrees reported on the Chino Basin Watermaster 2015 Safe Yield Reset Agreement (SYRA). The Judge continued the scheduled hearing to September 23, 2016.

During the meeting held on August 11, 2016 the Appropriative Pool recommended approval of Budget Transfer Form T-16-06-01. This took money in categories that were under budgeted and transferred it to categories that were over budgeted. There was concern that \$193,000 had been spent in legal fees for personnel related charges.

The Prado Basin Habitat Sustainability Program Cost-Sharing Agreement with IEUA must be amended to increase the cost-sharing amount for program initiation start-up expenses and to identify the cost sharing responsibility for each agency for future year monitoring expenses. The amount will increase from \$600,000 to \$770,000 and will be split evenly between Watermaster and IEUA. Mr. Moorrees reported that at the San Bernardino Conference he met with a gentleman that was working on a conservation levee study for Prado Basin for Orange County. In the interest of not paying to have a duplicate study completed, Mr. Moorrees gave the gentleman contact information for Watermaster. While SAWCo was not in disagreement of this issue, the maker of the motion decided to combine it with the Adaptive Management Plan.

The Adaptive Management Plan for the Prado Basin Habitat Sustainability Program needs to be adopted by the Watermaster Board to comply with the monitoring and mitigation requirements of the Peace II Subsequent Environmental Impact report, and thereby receive the benefits of Hydraulic Control and Basin Re-Operation. Some of the Pool members were concerned with the possible scope of work and asked that this item be delayed so the parties could discuss it further. SAWCo suggested one more Committee meeting in order to address City of Ontario and MVWD's concern. The maker of the motion (CVWD) did not want to do this. It came to a volume vote. SAWCo and the City of Upland supported our fellow shareholders and voted no. The motion passed and both items were approved.

The supplemental water recharge procedure needs to be improved to allow for better coordination with IEUA operations and to allow Watermaster to collect more robust data to fulfill its obligation to manage the recharge in Chino Basin. SAWCo voiced concerns over costs identified in the procedure. There seemed to be room to adjust and possibly not charge a fee unless it was an outside third party. Additional comments are requested by Watermaster.

There were no business items on the agenda for the July 14th Appropriative Pool meeting. An Engineering Report given advised Wildermuth Environmental, Inc. (WEI) is working with Watermaster regarding a procedure for supplemental water recharge. They are using SAWCo's recent delivery as an example. They are looking to have better coordination measurement in reaching the basin. New forms will come through the Pool process.

WEI gave a presentation on water transfers verses wet water recharge. One interesting result was how hydraulic control would not have been achieved without transfers.

During Closed Session CVWD introduced the topic of Santa Ana River Conservation and Conjunctive Use Project (SARCCUP). The Pool continued to work together on strategy.

D. Administration and Finance Committee (AFC) Chairman's Report – Nothing to report.

E. Planning, Resources, & Operations Committee (PROC) Chairman's Report – Mr. Elliott reported all items discussed during the PROC meeting are included in the General Manager's Report on Activities.

F. Office Feasibility Study Ad Hoc Committee – Director Thomas reported the committee reviewed the list of items that could be included in the project and narrowed in down to what might be affordable. The final report will be reviewed at the next meeting scheduled for Monday, August 29th.

The Board expressed concerns for the size and cost of the project and advised keeping a good watch on what will actually be built.

6. General Manager's Report on Activities:

A. Well 31 – Biological Treatment Pilot – Mr. Moorrees expressed his appreciation for Ms. Hoerning voicing her support for this project. He explained that the Nitrates and DBCP's in Well 31 have exceeded the Maximum Contaminant Levels (MCL's) set by the DDW. This prevents SAWCo from delivering water from the well to the City of Upland. Reducing the contaminant levels in Well 31 will allow the water to be delivered to the City of Upland and will also allow for blending with wells experiencing elevated contaminant levels.

Mr. Moorrees has asked DDW if a different type of back end filtration and disinfection system can be used to reduce or eliminate contaminants. The current Memcore system currently approved by DDW increases costs by \$100 per acre foot.

Mr. Moorrees recommended the Board consider staff move forward with implementing the MIH Hall Reactor pilot plant at the Company's Well 31 site on Hummingbird Lane east of Tanglewood in Upland.

Director Thomas spoke about previous reservations on proceeding with the project prior to receiving any grant funding. However, with the explanation from Ms. Hoerning about the costs and funding, it makes sense to not wait for grant funding to proceed.

Director Elliott moved and Director Willis seconded to approve moving forward with implementing the MIH Hall Reactor pilot plant at SAWCo's Well 31 site.

Director Bozar inquired about the amount of water that can be pumped from the basin. Mr. Moorrees replied the basin is not a big basin which is why it is important to start maintaining the recharge basin.

Director Bozar also questioned the timeframe for the grant funding approval. Mr. Moorrees stated the final submittal for the application is within one month, if invited to apply, notice of grant approval will be received by March.

Director Thomas inquired how long it would take to set up the pilot plant. Mr. Moorrees advised the system is currently at West Valley Water District and can be moved fairly quickly to the Well 31 site.

Motion carried.

- B. Water Supply Update** – Mr. Moorrees stated this item is for receive and file only. On July 28, 2016 SAWCo found it necessary to purchase water from the City of Upland at the park connection at 600 gallons per minute (gpm) for about a week. SAWCo facilities were again having difficulty keeping up with demand over this previous weekend and it was necessary to again purchase water from the City of Upland, this time at the Well 15 and Well 16 site at 400 gpm. Half of the amount (200 gpm) is being put into SAWCo's system with the other half going back into the City of Upland's system to assist them with chlorine residual.

Management expected to have approval to put the Tunnel back into the domestic system once the electrical work on the site is complete. Staff inquires weekly with Southern California Edison as to when the service will be connected with no definite answer received. A temporary connection has been offered which staff explore in the meantime. Staff is also in search of a pump to obtain upstream sampling. One is not available for purchase for three weeks, however, there is a possibility of renting one.

Director Thomas reiterated to Mr. Moorrees he would like a formal agreement with the City of Upland in regards to purchasing emergency water from them. Mr. Moorrees stated he will work on a Memorandum of Understanding with Ms. Hoerning.

- C. Cucamonga Crosswall Project** – Mr. Moorrees reported on the possible solicitation of bids for the repair and desilting of the crosswalls. The item was brought to the PROC for consideration on the premise that SAWCo could receive revenue. The recommendations from the PROC were to 1) request staff solicit bids for doing the work that provide certain concessions from the Contractor, or stay the course with GRB Equipment to do the work as contracted, 2) obtain approval for using 22nd Street and Campus Avenue before moving forward with the project to desilt, repair, and haul off the material, and 3) approve providing a contract with a no escape clause.

Mr. Moorrees met with the San Bernardino County Flood Control District (SBCFCD) and presented the option to solicit bids. SBCFCD legal counsel could not see any way SAWCo could profit from the County's material.

Director Thomas commented that the first goal was to try and recoup some of the funds spent on the project thus far not make a profit. Mr. Moorrees responded SBCFCD's legal counsel felt it would be considered a gift of public funds. SAWCo's legal counsel stated the Water Company cannot expect to get paid for materials that belong to San Bernardino County.

Director Thomas felt Mr. Moorrees could do more to find creative ways to eliminate spending any more money on the project. Mr. Moorrees worked with Cucamonga Valley Water District (CVWD) to agree with covering 50% of the costs incurred by the project and also included the project in the pre-application for Proposition 1 Grant Funding. There is also concern that if the project goes out to bid the SBCFCD may take over the contract.

Director Thomas desired the item go out to bid. In doing so, SAWCo would advise the contractors what SAWCo wants done in the crosswalls, state they do not want to pay any money for the work but instead wish to recover their costs for the project.

Mr. Moorrees clarified the Board desires staff solicit bids for the project and put together contract documents with a no escape clause to be signed by the chosen contractor.

Director Willis commended Director Thomas for keeping SAWCo frugal and Mr. Moorrees for keeping the Water Company moving forward.

Director Gerardi questioned whether or not SAWCo has any liability if they go to bid with regard to GRB Equipment. Mr. Moorrees felt it may be an issue because he did enter into a contract with GRB Equipment in December 2010. He has inquired with legal counsel and is awaiting a response.

Director Bozar was concerned that the issue of whether or not there is a valid contract with GRB Equipment is of the utmost importance and should be addressed before going any further. Once addressed, then SAWCo should go through the cost recovery options that are available. It was Director Bozar's understanding that SBCFCD determined SAWCo cannot make any money off the project which is another item that needs to be looked into.

Director Cable suggested if costs are unable to be recovered possibly the periodic maintenance work of the crosswalls by the contractor would be a viable option.

D. Project Status Report –

- **Shaft 6 Disinfection Building** – The building is complete. The MIOX system has been moved and is hooked up. Currently awaiting an electrical connection and the pump but should be operational by the end of the week.
- **WFA Pipeline Connection** – This project is on hold. There are some water quality issues with respect to the Bin II classification. There hasn't been a bad water quality sample in 6 years. Additionally, SAWCo intended to run Well 31 water through this pipeline, however, there were issues with high DBCPs and Nitrates. With the bio treatment pilot plant the issues with Well 31 running through this pipeline connection may no longer be an issue.
- **Holly Drive Reservoir Design**– Staff is expecting submittal of three design proposals from TKE Engineering.
- **Rate & Fee Study** – Staff executed the Professional Services Agreement with Carollo Engineers. A project plan schedule has been provided to staff. Completion is scheduled for December. A kick-off meeting with Carollo Engineers, office staff, and legal counsel is pending.
- **Water Master Plan** – Civiltec Engineering and Genysys Group submitted planning criteria to which staff has responded.

7. Closed Session: None.

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

Adjournment: Seeing no further business the meeting was adjourned at 5:53 p.m.

Future Meetings:

- The next Board Meeting will be held on Tuesday, September 20, 2016 at 5:00 p.m.

Assistant Secretary
Charles Moorrees