

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, September 15, 2015

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:05 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, John Gerardi, and Glenn Bozar. Also in attendance were Craig Parker from Inland Empire Utilities Agency (IEUA), SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions and Presentations: Mr. Moorrees recognized Craig Parker with IEUA attending the meeting for Item 6B.
- 2. Additions-Deletions to the Agenda: Mr. Moorrees added Award Chino Basin Pipeline and Frankish Tunnel Projects as Item 6F and the 7th Annual CORO Conference as Item 6G.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes August 18, 2015.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting to report
 - C. Administrative and Finance Committee (AFC) Meeting Minutes
Meeting minutes of June 23, 2015
 - D. Financial Statement
Comparative Income Statement and Balance Sheet for July 31, 2015 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
 - Letter support for AB656

Director Elliott moved and Director Gerardi 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 the PVPA met the previous Wednesday. He advised the approved Harvey Mudd bee keeping project needs to provide PVPA with the proper insurance information.

Rosemary Hoerning, the General Manager of West End Consolidated which handles the operations for PVPA, is in the process of developing a formal operations manual. Consulting firms have sent in proposals for a more elaborate manual. Interviews of these consulting firms will take place the following week.

Holliday Rock's conditional use permit for the expansion of Pit 4 and mining on the property they purchased from Vulcan Materials was approved. They will be removing structures.

San Bernardino County Flood Control District delegated their responsibility for flood control at Pit 5 to PVPA.

The Annual Meeting for PVPA is being held on November 4th. SAWCo should be receiving a packet in regards to this event.

- B. Six Basins Representative Report** – Ms. Layton reported a conflict of interest clause was put into the rules and regulations. This concern stems from the fair political practice commission (FPPC).

Director Thomas stated Rosemary Hoerning gave a brief presentation about PVPA operations preparing for an El Nino event. An in depth presentation about this will be given later in the year.

- C. Chino Basin Representative Report** – Ms. Layton reported the final agreement for the Safe Yield Recalculation has not been prepared and presented to SAWCo. It is uncertain whether or not the final agreement will be available soon. Overlying Non-agriculture Pool has a problem with the draft agreement and Jurupa Community Services District's Board is not in agreeance with it. Overlying Non-agriculture Pool has also come in with a last minute request to add to the agreement. A final drafting session is taking place on Wednesday, September 16th. A special Appropriator Pool meeting will be held on Thursday morning with an Advisory Committee meeting directly following. SAWCo plans on abstaining from the vote until they have an opportunity to review the completed agreement.

The Overlying Non-Agriculture Pool is granted a certain amount of water rights. Through the Peace Agreement they are allowed to sell this water to the Watemaster which the appropriators can then buy. SAWCo has previously purchased some of this water when the rate was lower than its base rate. The rate for Non-Agriculture water this year was set at \$508.00 per acre foot (AF). This rate is higher than SAWCo's current rate. It is not clear whether or not SAWCo will purchase a portion of this water.

Mr. Moorrees advised the Board that the general manager of Cucamonga Valley Water District (CVWD) has agreed to purchase 500AF out of SAWCo Chino Basin storage account. The sale will need to be approved by the CVWD Board before a transfer is made.

- D. Administration and Finance Committee (AFC) Chairman's Report** – Items discussed at the PROC meeting are covered in the General Manager's Report.

- E. Planning, Resources, & Operations Committee (PROC) Chairman's Report** – Nothing to report.

6. General Manager's Report on Activities:

- A. Office Feasibility Study** – Mr. Moorrees reported SAWCo requested proposals for a feasibility study and preliminary plan services for the purpose of consolidating office and field operations into a single location. Possible sites considered are either a 5-acre site located at 17th and Benson Avenue or a 5-acre site located at 20th Street and Winston Avenue. Staff sent Request for Proposals (RFP's) to nine consulting engineering firms to assess the physical characteristics and viability of utilizing either site. Staff received only one proposal and it was more than double the budgeted amount.

Mr. Moorrees recommended the Board review the proposal and consider holding off on awarding contract. He advised waiting until next year's budget and recommended seeking request for qualifications (RFQ) of additional engineering firms.

Director Thomas suggested bringing the item to the committee level for input.

Director Gerardi pointed out there was no mention of the disposition of the current office and yard facility in the proposal. He advised this should be included in the request.

- B. Inland Empire Utilities Agency Water Connection Fee** – Mr. Moorrees advised the Board that the IEUA has adopted a water connection fee that is applicable to any water system within their service area. Because SAWCo’s domestic system is within a portion of the IEUA service area, it will be impacted by the new “pass through” fee.

This fee is scheduled to begin on January 1, 2016 and is collected by IEUA in order to proportionally recover the costs to create regional supplies that are available to meet the water demands of future development. Any new or upsized water meter connection installed within the IEUA service area will be required to pay the one-time fee. IEUA’s Water Connection Fee study by Carollo details the purpose and cost basis of implementing the new water connection fee and was included in the meeting packet given to all Board members. The item was also previously presented to the AFC and was contested due to SAWCo having no service connection to IEUA.

Director Thomas and Joe Grindstaff, the president of IEUA, met the previous week to discuss this connection fee. He stated there are very few vacant lots left in the San Antonio Heights (SAH) area so this fee would not be collected often. SAWCo is part of the Chino Basin area and has received benefits from IEUA mostly with conservation programs and grants. It was decided that San Bernardino County, who issues the building permits in SAH, would collect this connection fee during the building process.

- C. CY2015 Mid-year Budget Review** – Mr. Moorrees stated this item is to provide the mid-term financial status and end of the year projections of the Company as it relates to budgeted Revenues and Expenditures for FY2015. A copy of the spreadsheet for the mid-year budget ending on June 30, 2015 was included in the Board Meeting Packet.

Reduction in revenues due to entitlement reductions, water conservation efforts, reduced water supplies as well as additional expenses with well repairs and Tunnel water quality have had a negative impact on the budget. End of the year projections put SAWCo’s budget in the negative by \$261,770 at end of the year even after including the sale of stored water. SAWCo does expect to sell more stored water before the end of the year.

SAWCo will consider an assessment on shareholdings after the end of the year audit is completed. If approved the assessment will be the first since 1988. In order to supplement reserves a rate increase may also be necessary in 2016.

Director Bozar moved and Director Elliott seconded to receive and file the CY2015 Mid-year Budget Review. Motion carried.

- D. Manager’s Performance Review** – Mr. Moorrees reported the recommendation from the AFC was to extend his contract to June 30, 2018 with an addition of one week of administrative leave effective the end of August 2015. Clarification was given that administrative leave is paid.

Director Willis moved and Director Gerardi seconded to approve an additional one week of administrative leave and a three year extension to Mr. Moorrees’ contract creating an end date of June 30, 2018. Motion carried.

E. Project Status Report -

- **Water Master Plan** – A meeting to schedule a Planning Day event is taking place this week. This event will help map out the plan.
- **Urban Water Management Plan** - Guidelines for the Urban Water Management plan from the State of California should be received by mid October.
- **Alternative Energy Feasibility Study** – Expecting the draft this week.
- **City Treatment Plant Surface Water Delivery** – Dissolved Air Issue –The stand pipe has been fabricated. Currently waiting for it to be fusion bonded. The City of Upland is currently not taking water from the creek.
- **Cucamonga Basin** – Desilting project at crosswalls –Working on the 20th Street haul route.

- **Water Rights Investigation** – Activity – Mr. Moorrees has not heard back from the State Water Resources Control Board at this time.
- **Edison Pond Expansion Study** – Staff expects to receive proposals this week.

Director Gerardi inquired about Tunnel water quality. Mr. Moorrees replied SAWCo is again receiving bad water quality samples. Staff is continuing to work on a cause and a solution.

- F. Award Chino Basin Pipeline and Frankish Tunnel Projects** – Mr. Moorrees reported that the bids for these projects came in below budget. The Chino Basin Pipeline bid came in at \$181,635.50 and the Frankish Tunnel Project came in at \$376,895. With a ten percent contingency of \$55,853 total cost of both projects is \$614,383.50 which is \$135,342.50 under budget.

This item was brought to the Board without sending it to the committee level due to time constraints. Mr. Moorrees would like to begin work on the project in early October so that completion will take place before the end of the year.

Mr. Moorrees recommended the Board: 1) Award the Chino Basin Recharge Pipeline to C.P. Construction Inc. in the amount of \$181,635.50 with a 10% Construction Contingency of \$18,163.55 for a total of \$199,799.05, 2) Award the Frankish Tunnel Pipeline Connection to C.P. Construction in the amount of \$376,895 with a 10% Construction Contingency of \$37,689.50 for a total of \$414,584.50. 3) Appropriate \$614,383.50 from Depreciation and Obsolescence Reserves.

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

- G. 7th Annual CORO Conference** – Mr. Moorrees advised the Board of the upcoming 7th Annual CORO Conference taking place on Tuesday, October 20th in Los Angeles. With respect to budget constraints, the AFC recommended not contributing to the event this year. Mr. Moorrees advised that he will email the Board the information. If any of them wish to attend the conference SAWCo staff will sign them up.

7. Closed Session: None.

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

Adjournment: Seeing no further business the meeting was adjourned at 5:54 p.m.

Future Meetings:

- The next Board Meeting will be held on Tuesday, October 20, 2015 at 5:00 p.m.

Assistant Secretary
Charles Moorrees