

SAN ANTONIO WATER COMPANY

MINUTES OF THE SAN ANTONIO WATER COMPANY

Tuesday, September 20, 2011

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:01 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Ken Willis, Dr. Fred Gattas, Will Elliott, Brian Brandt, and Sue Sundell. Also in attendance were SAWCo's General Manager Charles Moorrees, and Assistant Manager of Administration and Finance Teri Layton. Director Thomas presided.

- Call to Order
- Salute to the Flag

1. Recognitions & Presentations: Mr. Moorrees reported on the San Antonio Creek Watershed Clean Up Day that was held on Saturday, September 10, 2011. Director Thomas also reported on the clean up.

Mr. Moorrees brought to the attention of the Board a letter that was sent by SAWCo's special counsel to the planning director of San Bernardino County regarding a new residence being constructed in Mt. Baldy. A similar letter was sent to the county several years ago regarding Paul Ridgeway's construction and lack of water rights for water service. No response has been received from the county on the new construction; however, SAWCo did meet with the United States Forest Service (USFS) earlier in the day. The USFS admitted approving the new construction by a previous administrator.

Mr. Moorrees made reference to the thank you letter from Supervisor Janice Rutherford in regards to the bottled water donated to the 9/11 event held at the fire station on Euclid Avenue.

Also on the dias was a flyer for a Three Valleys Municipal Water District (TVMWD) sponsored tour of the State Water Project and the Delta taking place in October. The directors were advised to fill out the requested information on the flyer and return to SAWCo staff by the following day should they wish to attend.

Director Thomas recognized Rosemary Hoerning the new Utility Services Director from the City of Upland who was in attendance for the meeting.

2. Additions-Deletions to the Agenda: Mr. Moorrees pulled Item 6C from the agenda.
3. Shareholder-Public Testimony: None.

4. Consent Calendar Items:

- A. Approval of Board Meeting Minutes
Regular Meeting Minutes of August 16, 2011.
- B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Receive & File Meeting Minutes of June 29, 2011
- C. Administration and Finance Committee (AFC) Meeting Minutes
No meeting to report.
- D. Financial Statement
Income Statement and Balance Sheet for July 31, 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 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
 - Army Corps Consultant-Letter commenting on San Antonio Dam Master Plan.

Director Brandt moved and Director Elliott seconded to approve the Consent Calendar Items as presented. Motion carried.

5. Board Committee – Delegate Report:

- A. **PVPA Representative’s Report** – Director Thomas reported on the meeting held September 14, 2011. West End Consolidated Water Company reported that PVPA is receiving the Federal Emergency Management Agency (FEMA) money to repair the damage to the retention ponds. The balanced budget was approved. Any excess will go into capital improvements and maintenance.
- B. **Six Basins Representative Report** – Ms. Layton reported that Pomona College stated that production had been down and questioned what the City of Pomona might be experiencing. At the Six Basins Watermaster meeting Mr. Lewis with Golden State Water reported speaking with the City of Pomona and stated that their levels had not dropped. It was reported these kinds of issues could be addressed in the Strategic Plan.

Wildermuth Environmental, Inc (WEI) gave a PowerPoint presentation at the Six Basins Watermaster meeting on the benefits and what they can expect to get from a State of the Basin Report and Strategic Plan. The Six Basins Watermaster Board members were in favor of completing the Plan as soon as the money would allow.

Ms. Layton reported the 2012 Budget was discussed. It was uncertain at the time whether or not would receive the FEMA funds for the berm replacement and enhancement. The Six Basin Watermaster Board was in favor of the assessment staying the same and requested figures on how the budget and timeline of the Strategic Plan would be affected.

Other issues included the use of electronic Board packets in the future. WEI is requesting some oversight on the approval of invoices. They are uncomfortable approving their own payment.

- C. **Chino Basin Representative Report** – Mr. Moorrees stated that he was unable to attend the last Appropriative Pool meeting. Two things were discussed at the meeting. The State of the Basin Report showed that the hydraulic control is in fact working. The 85/15 Rule applies to water transfers and was meant to prevent and minimize overproduction. The replenishment assessment is charged through the assessment package and 85 percent of the cost is paid for by the overproducers and 15 percent of the cost is paid for by all the parties subject to the 85/15 Rule. The way the assessment was supposed to work has not been the way that it has been administered. The watermaster is discussing its options to rectify the issue. Mr. Moorrees would like to do away with the 85/15 Rule altogether and will make this report at the next PROC meeting.
- D. **Administration and Finance Committee (AFC) Chairman’s Report** – No meeting to report. The next AFC meeting is scheduled for the following day.
- E. **Planning, Resources, & Operations Committee (PROC) Chairman’s Report** – Director Willis stated that everything discussed at the PROC meeting is included in the general manager’s report.

6. General Manager’s Report:

- A. **Six Basins-Sale of Stored Water** – Mr. Moorrees reported that SAWCo desires to sell stored water, or lease their pumping rights, at below the set tiered rate from the water company’s stored water account in Six Basins. SAWCo has a storage account that is limited to 1,000 acre feet (AF) per year with a 2,000 AF limitation on accumulation. Currently, SAWCo has 1,460.53 AF in their storage account and does not want to go over their maximum storage allotment. TVMWD is the only shareholder in this basin with a storage account that SAWCo can lease pumping rights to. Normally stored water sold in excess of entitlement is sold at a tiered rate of \$466/AF; however, considering

that Metropolitan Water District (MWD) currently has supplemental water for sale at a rate of \$409/AF, the Company offered to sell TVMWD between 500AF – 1,000AF at an adjusted competitive rate of \$400/AF.

Director Thomas questioned whether or not TVMWD would have carryover rights as part of the new form. Mr. Moorrees was unaware of a new form that included this specification but stated that TVMWD has customers that are 100 percent reliant upon imported water and the full 500AF-1,000AF would be used quickly. Mr. Moorrees will look into it to make certain this is what will occur.

Director Elliott moved and Director Dr. Gattas seconded to approve the PROC's recommendation to approve the sale of up to 1,000 AF stored water out of SAWCo's Six Basins Stored Water Account to TVMWD at a rate of \$400/AF. Motion carried.

- B. **Easement Vacation Request [APN#1044-051-07]** - Mr. Moorrees reported that Lane & Associates representing "Euclid and 20th Street LLC" has requested SAWCo vacate its "blanket" easement on property located on the south side of 20th Street, west of Euclid for proposed Tract#16989 development, APN# 1044-051-077.

Staff researched the property and found that SAWCo operated a stand on the property as well as irrigation pipeline but all are inoperable and abandoned. SAWCo sees no future use for facilities on this property and concluded that the easements on the property could be vacated.

Director Willis moved and Director Dr. Gattas seconded to approve the PROC recommendation to approve the request to vacate the Company's "blanket" easement over said property identified as APN#1044-051-07 subject to established fees and charges and legal counsel review. Motion carried.

- C. **Section 10.02 Classes of Service** – This item was pulled from the agenda.

- D. **Holly Drive Water System Assets & Easements** – Mr. Moorrees reported that when Holly Drive Estates developed in and around 1970 by the Hostetler's, the water system facilities installed were never transferred to the Water Company; nor were the assets recorded in the Company's asset books. Additionally, certain easements for Holly Drive were never granted to the Water Company; however, the Water Company has maintained the system since its installation in the 1970's.

SAWCo's was made aware of this fact in 2004 when a storm destroyed pipeline in the Holly Drive Estates and staff made some emergency repairs. The president of the Holly Drive Homeowners Association (HOA) during that time contacted Mr. Moorrees furious that SAWCo staff had gone onto their property and made repairs with the allegation that SAWCo does not own the property. When Mr. Moorrees looked into it he found that the assets were never transferred over. He offered to install a meter and have the Holly Drive Association maintain the reservoir and pipelines but the HOA reconsidered their option.

Staff was able to address this issue with the Hostetler's who currently have no information remaining on file for this project; however, were able to provide cost for doing the work from memory. Staff was also able to locate an easement dedication for the access road from Holly Drive North to the reservoir as well as an easement dedication for the reservoir itself. Staff met with TKE Engineering to discuss easement preparation, recordation services and location of waterlines and develop an easement. TKE noticed errors in the easement document for the survey. A proposal of \$8,800 was submitted by TKE.

Mr. Moorrees recommended the Board agree with the PROC's recommendation to authorize staff to solicit surveying services to develop easement descriptions and plots for recordation and approve a budget of \$8,800 from Operations and work with legal counsel to facilitate required transfers. The PROC initially recommended approving \$7,000 for the work. The actual proposal came in at \$8,800.

Director Dr. Gattas stated that in 2004 SAWCo contributed \$10,000 to the Holly Drive water system and now several thousand more for easement and plot recordation. Director Dr. Gattas questioned whether the shareholders on Holly Drive should share in the cost. He also questioned what would be done if SAWCo decided not to maintain the facilities there and allow the actual owners to do so. Mr. Moorrees advised that SAWCo would put a master meter on the facilities and let Holly Drive HOA maintain it. Mr. Moorrees informed the Board that he did advise of this option to the last three Holly Drive HOA presidents and has also asked for an audience with the Holly Drive HOA to discuss the issue but has yet to receive a response. Dr. Gattas suggested having them contribute to half of the cost of transferring the property and taking care of the easements and if costs in the future are great enough; consider an assessment to cover the costs if they are significant.

Director Dr. Gattas moved and Director Sundell seconded to approve the manager's recommendation with the modification of the attempt to share the costs with Holly Drive HOA. Motion carried.

- E. **CORO Conference & Sponsorship** – Mr. Moorrees reported that SAWCo sponsored a similar CORO event in 2009 in the amount of \$1,500 and \$2,500 in 2010. Currently, a \$2,500 sponsorship provides for a table of eight at the event and a \$1,500 sponsorship provides for a table of four. Mr. Moorrees asked for a Board recommendation.

Director Willis moved and Director Brandt seconded to approve a \$2,500 sponsorship to the 2011 CORO Conference. Motion carried.

- F. **Scheduled Budget Workshop** – Mr. Moorrees advised the Board that the Budget Workshop is now rescheduled for Thursday, December 8th which is the same day as the Holiday Luncheon.

G. **Project Status Report** –

- **Tunnel Pipeline Improvement** – Proposal to clean out the Tunnel between Shaft 2 and the Forebay was received. Currently waiting for the proposal for HDPE installation.
- **Well 25A – Drilling** – The consultant is currently working on the noise study. Once the report is received it will be submitted to the City of Upland.
- **Cucamonga Basin** – Desilting project at crosswalls – SAWCo received the permit from the Department of Fish and Game (DFG) as well as from the San Bernardino County Flood Control District (SBCFCD) however there is a problem with processing the material south of the dam and the City of Upland has requested SAWCo go through the conditional use permit (CUP) process.
- **Forebay Improvements** – Still pending building permit review from San Bernardino County.
- **Water Rights Investigation** – Activity – Staff met with the United States Forest Service (USFS) earlier in the day for follow up on the amount of cabins and to identify the sizes of the pipelines leaving the water sources. SAWCo has agreed to install the water meters with approval from the PROC with some cost sharing by the USFS. Once SAWCo has the sources metered they can determine how much water is being used and whether or not the 1941 agreement appropriation adequately addresses current use.
- **Reservoir 6 – 100,000 Gallon Tank Installation** – Pre-construction meeting was held and the contractor will begin work next week. Project should be completed before the Christmas holiday.
- **Feasibility Study – Edison & Tnl Ponds [Consev. Levee]** – The draft was submitted and presented to the PROC. A final draft should be available soon from Camp, Dresser, and McKee (CDM).
- **WFA Pipeline Connection** – Two projects are in the works. Pending engineered plan from Civiltec Engineering. SAWCo is looking at connecting its wells in the Six Basins area to WFA's system which will allow for delivery to the City of Upland, Monte Vista Water District (MVWD), City of Chino, and City of Ontario. Current surface water from the San Antonio Creek is classified as Bin 2 which means there needs to be a method to discharge water to waste from the facilities filters which WFA does not have the ability to do. SAWCo is proposing to connect the Frankish-Stamm Tunnel to the transmission line on 25th Street which will allow for delivery to WFA.

- **Chino Basin Recharge Pipeline** – This pipeline will be developed out to 24th Street to facilitate water recharge to Chino Basin for credit in SAWCo's storage account. Currently, SAWCo can only replenish its storage account in Chino Basin through a "wheeling" agreement with the City of Upland.
- **Frankish Tunnel Pipeline** – This tunnel runs north and south just east of Campus Avenue. The bottom of this tunnel does not allow for a lot of percolation. SAWCo is planning to connect this tunnel with the irrigation system. The tunnel has produced 600AF for this year alone.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items: Director Thomas stated the next Board meeting is scheduled for Tuesday, October 18, 2011 at 5:00 p.m. at City Hall and the next AFC meeting is scheduled for Wednesday, September 21, 2011 at 3:00 p.m. in the Board room at SAWCo's office.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:45 p.m.

Assistant Secretary
Charles Moorrees