

# SAN ANTONIO WATER COMPANY

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## MINUTES OF THE SAN ANTONIO WATER COMPANY

### Tuesday, October 16, 2012

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:00 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, Glenn Bozar, and Bob Cable. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and shareholder John Navarro. Director Thomas presided.

- Salute to the Flag

1. Recognitions & Presentations: None.

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 of September 18, 2012.
- B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes  
Approve meeting minutes of July 24, 2012 and September 25, 2012.
- C. Administration and Finance Committee (AFC) Meeting Minutes  
No meeting minutes to approve.
- D. Financial Statement  
Comparative Income Statement and Balance Sheet for August 31, 2012 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
  - SAHA invitation to speak at the November 15, 2012 Annual Meeting
  - Response to SAHA invitation to speak
  - Letter of appreciation – Upland-Foothill Kiwanis

Director Gerardi 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 that PVPA met on Wednesday, October 10<sup>th</sup> and discussed the weed abatement and maintenance provided by the City of Pomona. Additional monies were utilized for the City of Pomona to clean out the five basins just below the dam on the Los Angeles County side to improve spreading. Director Thomas also noted that the Annual Meeting for PVPA will be held in November.
- B. **Six Basins Representative Report** – Mr. Moorrees reported that there was a Six Basins Board meeting September 26<sup>th</sup> at which the requirements to report changes in groundwater production facilities were approved and amended to the operating plan. The change order for Wildermuth Environmental, Inc. (WEI) cost overrun for the Strategic Plan in the amount of \$67,500 was

approved. Strategies discussed were to utilize existing budget to complete Phase I and the cost overrun would be included in the upcoming year's budget or complete the remaining Phase I next year. The actual amount of the overrun was \$90,000, WEI agreed to a 25% reduction in fees.

The draft goals were presented as an informational item by WEI showing an operating expense increase of about 5% at \$278,100. Capital improvement at \$834,856 is a 146% increase and will most likely have an impact on assessment costs. If the watermaster fails to qualify for grant funding the AF price will increase dramatically. Assessments for the major party's will be at \$54/AF if grant funding is not received, \$42/AF if grant funding is received, \$35/AF if grant funding is received plus the utilizing of reserve funds.

Additionally, a special Board meeting will be held on October 24<sup>th</sup> to review Three Valleys Municipal Water District (TVMWD) request to increase their storage account. Mr. Moorrees felt that allow TVMWD to store more water in Six Basins would lower costs and produce higher water levels in area wells.

- C. **Chino Basin Representative Report** – SAWCo submitted a storage agreement to put 2,000 AF of water into the basin and receive credit. This request caused inquiries into how much water can be put into the basin. Currently, there is discussion on whether those parties in the basin can capture storm water and receive credit.

Mr. Moorrees stated that a few years ago TVMWD made a request to receive credit for captured storm water in Six Basins and were denied.

Director Gerardi questioned the issue around giving credit to an entity that builds facilities to capture storm water. Mr. Moorrees replied that he had no problem in providing incentives for these entities to develop structures to capture this water, however, believes the water captured should be for the benefit of all of the entities. He feels the entity that captured the water should receive some sort of credit over and above its cost as an incentive to construct the project; however, should not have an ongoing right to the storm water.

Director Gerardi clarified that Mr. Moorrees was in agreeance with capturing storm run-off however, there is complexity in allocating credit for it. Director Gerardi questioned if it lended itself to analysis for an equitable solution so enticements are there to capture storm run-off? Mr. Moorrees replied that WEI will be reviewing that information as to whether there are any material or fiscal injury by parties or by the fact they are recharging this groundwater supply and there may be issues with contamination.

Director Willis commented that Orange County versus Chino Basin, which was settled in 1969, had to do with the quality of the water that flowed below Prado Dam and into Orange County. It did not necessarily deal with quantity but quality of the water.

- D. **Administration and Finance Committee (AFC) Chairman's Report** – No meeting to report.
- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – There was a no quorum meeting on September 25<sup>th</sup>. Some items discussed at the rescheduled meeting on October 9<sup>th</sup> are on the current agenda.

6. General Manager's Report:

- A. **Tolle Nursery** – Mr. Moorrees stated that Tolle Nursery has two sites they are leasing from SAWCo; one at 17<sup>th</sup> Street and Benson Avenue and the other at 20<sup>th</sup> Street and Campus Avenue in Upland. The lease agreement at 17<sup>th</sup> Street and Benson Avenue has expired and Mike Tolle of Tolle Nursery does not wish to renew the lease. He does, however, wish to renew the lease on the 20<sup>th</sup> Street and Campus Avenue site. The request to extend the lease agreement for 12 months for

\$2,500 was submitted by Tolle Nursery. The lease term would be from October 1, 2012 to October 2013.

Director Elliott moved and Director Cable seconded to extend the Ground Lease for Tolle Nursery Co., Inc for another term of 12 months beginning October 1, 2012 through October 2013 for the Water Company property site located at 20<sup>th</sup> Street and Campus Avenue. Motion carried.

- B. **Annual Meeting of Pomona Valley Protective Association (PVPA)** – Mr. Moorrees informed the Board that the annual meeting of the PVPA will be held in November to elect a Board of Directors for the upcoming year. SAWCo must authorize a person to carry its proxy and to vote at the annual meeting.

Mr. Moorrees recommended the Board elect Director Thomas as proxy to vote all shares at the annual shareholder’s meeting of the Pomona Valley Protective Association in November 2012.

Director Elliott moved and Director Willis seconded to elect Director Thomas as proxy to vote all shares at the annual shareholder’s meeting of the Pomona Valley Protective Association in November 2012. Motion carried with Director Thomas abstaining.

- C. **Amendment to IEUA Regional Memorandum of Understanding (MOU)** – Mr. Moorrees reported that Staff raised the issue in a verbal report at the August 21<sup>st</sup> Board meeting to obtain consensus with the Board to have IEUA staff proceed with an amendment to the Regional MOU to allow the Water Company to participate as a signatory. The Board requested review of the amendment prior to approval. The proposed amendment was presented to the PROC last week with recommendation for Board approval.

SAWCo is identified as a “wholesaler” and the statute in the Water Code 10608.28 does not authorize a “wholesaler” to be a member of an alliance. Therefore an amendment to the MOU between the IEUA, City of Chino, City of Chino Hills, City of Ontario, City of Upland, Cucamonga Valley Water District (CVWD), Monte Vista Water District (MVWD), and Fontana Water is necessary to add SAWCo as a party to the alliance in support of the MOU. Mr. Moorrees stated that this would meet a portion on SAWCo’s Best Management Practices (BMPs) in making regional partnerships with local agencies. Legal counsel did not see any harm in amending the MOU as long as the parties wanted SAWCo to sign on because it has no physical or regulatory requirements.

Mr. Moorrees recommended the Board approve the amendment as written and authorize the Manager to execute the document on behalf of the Water Company.

Director Bozar questioned whether this MOU is associated with the 20 percent reduction in consumption by 2020. Mr. Moorrees stated that SAWCo is exempt from that program. Director Bozar also questioned the value of the grants and loans SAWCo would be eligible for in signing the MOU. Mr. Moorrees stated that SAWCo has submitted an application for eligibility for grants and loans but has not received a response back for an amount they can apply for.

Director Willis moved and Director Gerardi seconded to approve the managers recommendation. Motion carried.

- D. **Consider options for Water Conservation Rebate Incentives** – Mr. Moorrees stated that during SAWCo’s meeting with IEUA staff in August they were offered the option to develop a separate MOU to fund separately and collectively to the conservation programs funded by Metropolitan Water District (MWD) and administered by the IEUA.

Additionally, staff presented to the PROC that it may be prudent, prior to moving forward with developing and funding a separate MOU, to meet with the Water Company’s wholesale customer representatives to inquire if the Company’s current Water Conservation programs such as active

participation in the Lemon Festival and Water Conservation Fair meets the financial intent of the BMPs.

Mr. Moorrees recommended the Board consider the PROC recommendation to bring forth to the Board for consensus of options presented by staff to 1) Meet with representatives of the Company's wholesale customers to determine if existing programs meet the intent of the BMP, 2) develop an MOU with IEUA to provide additional funding to MWD conservation rebate incentives that are administered by the IEUA, 3) or both options 1 and 2.

Director Thomas commented that utilizing IEUA to administer the program will allow it to be better managed and not overwhelm office staff.

Director Elliott moved and Director Gerardi seconded to approve the managers and PROC recommendation to meet with SAWCo's wholesale customers for ideas and bring them back for approval. Motion carried.

- E. **Amend the By-Laws to include the General Manager's role** – Mr. Moorrees reported that Director Gerardi and Director Sundell worked on revisions for the proposed bylaw amendment for clarity.

Mr. Moorrees recommended the Board approve the recommendation to amend the bylaws as presented to 1) revise Section 5.07 President relinquishing the role of Chief Executive Officer to the General Manager, and 2) Add Section 5.11 - General Manager's description and role, and 3) Eliminate reference to the Chairman of the Board as presented.

**Section 5.07 President. [Revised]**

The President shall have general supervision of the Officers of the Corporation. He shall preside at all meetings of the Shareholders and, at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the office of President of a Corporation other than as vested in other Officers, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

**Section 5.06 General Manager. [Added]**

The General Manager shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, and the general supervision of the President, have general supervision, direction and control of the business.

To eliminate all other references related to the Chairman of the Board, following sections will need to be amended.

**Article II**

**Section 2.03 Special Meetings**

First paragraph, first sentence - Eliminate "or by the Chairman of the Board".  
Second paragraph, first sentence – Eliminate "Chairman of the Board".

**Article III**

**Section 3.04 Vacancies**

Third paragraph, second sentence - Eliminate "the Chairman of the Board".

**Section 3.08 Special Meetings**

First paragraph, first sentence - Eliminate "the Chairman of the Board or".

**Article V**

**Section 5.06 Chairman of the Board**

Replace with General Manager as shown above.

**Section 5.08 Vice Presidents**

First paragraph, second sentence - Eliminate “, and the Chairman of the Board”.

**Article VIII**

**Section 8.04 Certificates for Shares**

First paragraph, second sentence - Eliminate “Chairman of the Board or Vice Chairman”. Who signs new certificates for shares?

**Section 8.06 Representation of Shares of other Corporations.**

First paragraph, first sentence - Eliminate “The Chairman of the Board,”.

Director Willis moved and Director Elliott seconded to approve the revisions to the bylaws in regards to the addition of a general manager and his duties. Motion carried.

Director Willis thanked Director Gerardi and Director Sundell for their hard work on this item.

- F. **Monte Vista Water District (MVWD) request to partner in grant program** – Mr. Moorrees stated that MVWD submitted a proposed project to the Santa Ana Watershed Project Authority (SAWPA) for possible funding under the “One Watershed, One Water” (OWOW) Grant Program. This project includes the use of an inactive pipeline in Benson Avenue. Their intent is to extend the waterline to SAWCo’s 17<sup>th</sup> Street and Benson Avenue site to allow for direct delivery from SAWCo. That connection will also allow direct delivery to the City of Ontario which isn’t possible at this time.

This project would be a collaborative effort and requires an MOU between MVWD, City of Ontario, and SAWCo. Although, the project will require extension of approximately 1,300 LF the Water Company offered to provide the on-site piping and chlorination facility at the point of delivery as the Company’s collaborative effort. The City of Ontario also has a connection to this waterline for their delivery of water from SAWCo. This MOU provides the collaborative partnering required for the Grant application and would require a commitment of certain prorated funds to construct this project.

This project will enable wet water delivery to the SAWCos agency shareholders MVWD and the City of Ontario who currently have no direct connection to the Water Company’s system. Additionally, the benefit to the Water Company would be to allow production of the Water Company’s Operating Safe Yield without suffering losses due to under production in Six Basins.

Mr. Moorrees recommended the Board consider the PROC recommendation to approve signing on to MVWD’s MOU as a collaborative party along with the City of Ontario predicated on legal counsel review as to form.

Director Sundell moved and Director Cable seconded to approve signing on to MVWD’s MOU as a collaborative party along with the City of Ontario predicated on legal counsel review as to form. Motion carried.

- G. **Well 25A – Request additional budget appropriation** – Mr. Moorrees explained that staff had budgeted \$1,000,000 for the Well 25A project but have almost reached that amount without having the site improvements completed. The site improvements required by the City of Upland (Upland) will necessitate an additional \$275,000. The site improvements are still being reviewed by Upland and may take until next year for approval. If that is the case the project will need to be deferred to next year, however, Mr. Moorrees would like the funds approved and available at the time the plans are approved regardless of whether it’s this year or next year. The site has been vandalized and staff wishes to secure the new well to deter any additional vandalism.

Mr. Moorrees recommended the Board consider the PROC recommendation to approve a budget appropriation of \$275,000 to cover remaining costs for site improvements from Depreciation Reserves.

Director Thomas felt with the increased traffic to the 210 freeway on Benson that securing the site and making it aesthetically pleasing was necessary.

Director Willis encouraged drought tolerant landscaping. Mr. Moorrees stated he had reduced the number of trees Upland requested and agreed to some more California Friendly trees and plants.

Director Gerardi moved and Director Willis seconded the General Managers recommendation to approve a budget appropriation of \$275,000 to cover remaining costs for site improvements from Depreciation Reserve. Motion carried.

H. **Project Status Report –**

- **Well 25A-Drilling** – Pictures of the work being completed were shown. Mr. Moorrees explained what each picture depicted. This well will allow SAWCo to deliver water to Upland, Water Facilities Authority (WFA), Monte Vista Water District (MVWD), City of Chino, and City of Ontario.
- **Cucamonga Basin – Desilting project at crosswalls** – Upland is currently reviewing the site plan. Staff is working with the San Bernardino County Flood Control District (SBCFCD) to allow a temporary stock pile. SAWCo has been authorized to work past the October 15<sup>th</sup> rain season deadline.
- **Forebay Improvements** – Selective bids tentatively scheduled to be advertised October 26<sup>th</sup> with bids due November 27<sup>th</sup>. The bids will go before the PROC the same day. Construction will begin January 7, 2013 and conclude on July 6, 2013.
- **Water Rights Investigation-Activity** – Staff spoke with Michael Gagan at the CORO Conference earlier in the month who said he would follow up with Fran Spivey Weber to find out what the response will be. Special Counsel has since been authorized to investigate other ranger districts to see if there are issues with their water rights and distribution.
- **Cucamonga Basin Management Plan** – No word back from Cucamonga Valley Water District (CVWD) but will contact them at the beginning of the year.
- **WFA Pipeline Connection** – SAWCo has received final approval on the project but is waiting to have the final plans. This project may carryover to next year.

7. Director's Comments and Future Agenda Items: Director Bozar commented on the CORO Conference. He felt the panels were very informative and he learned a great deal.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:49 p.m.

Future Meetings:

- The next regular Board Meeting will be on Tuesday, November 20, 2012 at 5 p.m.

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Assistant Secretary  
Charles Moorrees