

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, October 17, 2017

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, Sue Sundell, Bob Cable, John Gerardi, Jose Sanchez, and Gino Filippi. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag led by Director Gerardi
- 1. Recognitions and Presentations: Mr. Moorrees directed the Board's attention to the dais where the California water supply report for the year thus far was placed. Director Filippi mentioned the document was originally presented at a Chino Basin Watermaster meeting and felt the information was worth sharing.
- 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 19, 2017.
 - B. Administrative and Finance Committee (AFC) Meeting Minutes
No meeting minutes to report.
 - C. Planning, Resources and Operations Committee (PROC) Meeting Minutes
PROC minutes of July 25, 2017
 - D. Financial Statement
Comparative Income Statement and Balance Sheet for August 31, 2017 and year-to-date. Revised Income Statement for May 31, 2017.
 - 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 and January]
Tracking patterns of groundwater elevations relative to ground surface.
 - J. Correspondence of Interest
 - Letter to Cucamonga Valley Water District regarding Cucamonga Basin Management
 - Request and response to San Antonio Heights Association's invitation to speak

Mr. Moorrees explained Item 4D contains a revision of \$165.05 in the income statement for May 31, 2017. The correction was for an adjustment due to inventory conversion.

Director Elliott moved and Director Gerardi 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 October PVPA meeting held the previous week. Bowen, McBeth, Inc. was approved as auditors for PVPA's annual audit. A proposed SWAT activity due to take place on PVPA property

did not take place. There was discussion on the settlement made between the City of Claremont (Claremont) and Golden State Water Company (GSWC) regarding legal fees for a lawsuit Claremont filed against GSWC.

B. Six Basins Representative Report – No meeting was held the previous month, however, Mr. Moorrees reported the final draft of the Strategic Plan was received.

C. Chino Basin Representative Report – Ms. Layton reminded the Board the Safe Yield Reset Agreement went before the court who set the Safe Yield at 135,000 and made a decision that land use conversions were supreme. These rulings caused arguments and appeals were filed in court by the City of Pomona, Monte Vista Water District (MVWD) and Cucamonga Valley Water District (CVWD). The respondents in this case are Jurupa Community Services District (JCSD), the City of Ontario and the City of Chino. These six parties have been meeting to reach an agreement that will hopefully settle the issue and save money on court costs. Once a term sheet has been reached these parties will be contacting the others, Fontana Water Company, City of Upland, SAWCo, the City of Chino Hills, etc. plus the Non-Agriculture and Agriculture Pools. This ongoing negotiation has caused some obligations, like the desalter replenishment obligation, to be delayed until issues are worked out.

During the most recent Advisory Pool meeting deducting for evaporative losses was approved with feedback on entities system losses and whether or not that is a significant number. Water spread in April through October will be calculated at a 1.5% loss and water spread in November through March will be calculated at a 4.2% loss if approved by the board.

SAWCo's recharge application will be going to the Advisory Pool this Thursday and then to the board on October 26th.

The Appropriative Pool met the previous Thursday and discussed in closed session the CalMat intervention. Several members had questions as to the legality of the request and directed the Chair to send a letter with the Appropriative Pool's questions to the applicant for written response. This matter will be discussed further in closed session today.

D. Cucamonga Basin Report – Mr. Moorrees reported a letter was sent to CVWD to coordinate a meeting with CVWD staff and board and SAWCo staff and Board. A response has yet to be received. John Bosler approached Ms. Layton stated a meeting in November was possible. Mr. Moorrees sent an email to Mr. Bosler to inquire about dates and whether or not the meeting would be with staff only or include board members.

E. Administration and Finance Committee (AFC) Chairman's Report – No meeting to report.

F. Planning, Resources, & Operations Committee (PROC) Chairman's Report – Director Elliott stated the items discussed at the PROC meeting; Tolle Nursery, Holly Drive, and Monte Vista Water District are under the General Manager's report.

G. Office Feasibility Study Ad Hoc Committee – No meeting to report.

Director Thomas stated Item 5G may no longer need to be placed on the agenda as there may be a considerable amount of time before the City of Upland is able to purchase the south portion of land to fund the new office.

Mr. Moorrees informed the Board that the Historic Society asked if the boosters from Booster 12 on this site can be donated. Mr. Moorrees found no issue with donating those boosters.

6. General Manager's Report on Activities:

A. Tolle Nursery – Ground Lease Extension – Mr. Moorrees advised the item went before the PROC who recommended authorizing the renewal with the increase based on the Consumer Price Index (CPI). Staff researched the CPI for the previous three months which shows a 1.9% increase. Thus increasing the lease term to \$2,547.50.

Mr. Moorrees recommended the Board extending the Ground Lease for Tolle Nursery Co., Inc. for another 12 month term beginning November 1, 2017 through October 31, 2018 for SAWCo property site located at 20th Street and Campus Avenue with a CPI inflationary increase of 1.9% on the annual rental rate.

Director Gerardi moved and Director Sanchez seconded to approve extending the Ground Lease for Tolle Nursery Co., Inc. for another 12 month term beginning November 1, 2017 through October 31, 2018 for SAWCo property site located at 20th Street and Campus Avenue with a CPI inflationary increase of 1.9% for a total of \$2,547.50 on the annual rental rate. Motion carried.

B. Holly Drive Reservoir – Engineering Budget Increase – Mr. Moorrees reported that SAWCo had originally planned to design 100,000 gallon reservoir to be installed adjacent to the existing 60,000 gallon Holly Drive reservoir. While working with the Water Master Plan engineer it was discovered the proposed design would not adequately provide sufficient storage for fire flows. Discussions led to the change in engineering design to demolish the existing reservoir and construct two 120,000 gallon reservoirs at the site.

The modification in design requires revision to the existing work as well as new work associated with environmental, structural, and civil design. The amount for the revised work items total \$45,070.

Director Sanchez moved and Director Cable seconded to approve the increase of \$45,070 in the current engineering budget for the Holly Drive Reservoir and appropriate funds from Depreciation & Obsolescence Reserve as appropriate. Motion carried.

C. Resolution 2017-09-02 Authorizing Application for Certificate of Consent – Mr. Moorrees explained this is the first time SAWCo has utilized the Worker's Compensation Insurance through the newly formed Joint Powers Insurance Agency (JPIA) JPRIMA through CalMutuals. Typically SAWCo would fall under the general certificate of the JPIA, however, the Department of Labor now requires each entity to secure a Certificate of Consent of Self Insure.

Presented to the PROC in September, the committee deferred their recommendation until staff obtained clarification as to why it is that individual agencies are required to file separately. Cal Mutual's response to the concern stated that the resolution is to certify to the State that SAWCo is aware of joining the pool. It is not a risk pool and is 100% reinsured by Zenith. It is still considered a self-insured pool. If SAWCo chooses not to file, Zenith cannot insure them. The response from CalMutuals was confirmed by SAWCo's insurance broker EPIC Insurance.

Director Thomas inquired if this action needs to be taken each year. Mr. Moorrees advised it is a one-time application for as long as SAWCo remains with Zenith.

Director Elliott moved and Director Cable seconded to approve adopting the resolution authorizing the Board President to make an application with the State of California for a Certificate of Consent of Self Insure for SAWCo's Workers' Compensation Liabilities. Motion carried.

D. Request to Adjust City Well 15 Water Production Accounting – Mr. Moorrees explained the City of Upland has a well located in Cucamonga Basin that they are able to produce SAWCo water rights from as well as West End Consolidated Water Company (WECWCo.) water rights (750 AF). The City of Upland intended on pumping SAWCo water rights from this Well 15 during the first half of 2017 and then pump WECWCo. water rights during the last half of 2017.

Unfortunately, the City of Upland's Well 15 is experiencing mechanical issues and is unable to pump the WECWCo. water rights. Ms. Rosemary Hoerning, Public Works Director, is requesting SAWCo adjust the production from this facility so they may use their WECWCo. water rights. The adjustment, if approved, results in a water bill credit of \$362,035.41.

Mr. Moorrees requested the Board consider the City of Upland's request to adjust the production of SAWCo's water rights for the City of Upland Well 15 to utilizing WECWCo.'s water rights and advise staff to make the credit adjustments as appropriate.

Director Gerardi moved and Director Sundell seconded approve adjusting the production of SAWCo's water rights for the City of Upland Well 15 to utilizing WECWCo.'s water rights and advise staff to make the credit adjustments as appropriate. Motion carried.

- E. Municipal Adjustments for Supplemental Water Delivery** – Mr. Moorrees reminded the Board that the Water Service Agreements (WSA) with the City of Upland, MVWD, and the City of Ontario were signed and went into effect July 2017. These WSAs do not allow for consumption in excess of annual entitlement. For the first six months of the year, without the signed WSAs, the entities were being charged higher rates if they went over their monthly entitlement. As such, the City of Upland is requesting the consumption in excess of their entitlement for the first six months of the year not be counted as part of yearly entitlement delivery.

Mr. Moorrees recommended the Board consider the PROC recommendation to approve the request to exclude previously purchased supplemental water delivery for annual entitlement delivery for the City of Upland, MVWD, and the City of Ontario.

Director Elliott moved and Director Sanchez seconded to approve excluding previously purchased supplemental water delivery for annual entitlement delivery for the City of Upland, MVWD, and the City of Ontario. Motion carried.

- F. Monte Vista Water District – Supplemental Water Delivery Rate** – Mr. Moorrees restated the current WSA does not allow for water delivery beyond yearly entitlement. MVWD has requested SAWCo enable delivery of supplemental water, if available, beyond their entitlement at a negotiated rate of \$600/AF for the remainder of the year.

Director Thomas clarified that selling additional water to MVWD at the negotiated rate would not affect the ability to deliver water to shareholders in the San Antonio Heights.

Mr. Moorrees recommended the Board agree with the PROC to approve the negotiated rate of \$600/AF for delivery of available supplemental water to MVWD in excess of their entitlement to MVWD for the remaining calendar year if it is available.

Director Gerardi moved and Director Sundell seconded to approve the general manager's recommendation. Motion carried.

- G. Report on Customer Responses to New Rate Structure Impacts** – Mr. Moorrees stated this item is for information only. SAWCo water rates were adjusted beginning the July and August billing period. Staff received numerous phone calls regarding high water bills resulting in five requests for one-time adjustments to water bills. Nearly 300 customers used water into the third tier which consists of shareholders using more than double the amount of water they are entitled to per their shareholdings in the company. A letter was sent to all customers who used more than double their entitlement. The letter explained the new tier system and advised what they can do to reduce their water bill.

Mr. Moorrees asked that the Board receive and file the report and ratify management's decision to not charge applicable late charges and turn off fees to allow shareholders with high water bills to make partial payments in adjusting to new rates as needed.

There was consensus on the Board to ratify management's decision on late charges and turn off fees.

H. Annual Meeting of Pomona Valley Protective Association (PVPA) – Mr. Moorrees reported that every year in November the PVPA holds their annual shareholders meeting to elect their board of directors for the upcoming year. SAWCo must authorize a member to carry the proxy representing their shareholdings in PVPA. In previous years, the Board appointed Director Thomas as proxy

Mr. Moorrees recommended the Board again appoint Director Thomas as proxy to vote all SAWCo shares at the annual shareholder's meeting of the Pomona Valley Protective Association on November 8, 2017.

Director Elliott moved and Director Sanchez seconded to appoint Director Thomas as proxy to vote all SAWCo shares at the annual shareholder's meeting of the Pomona Valley Protective Association on November 8, 2017. Motion carried with Director Thomas abstaining.

J. Project Status Report –

- **Basin 6 Desilting** – Near completion on the environmental document. Waiting for the permits from Department of Fish and Wildlife and the Regional Water Quality Control Board.
- **Cucamonga Basin-Desilting Project at Crosswalls** – The general counsel for the San Bernardino County Flood Control District felt that if SAWCo is asking the general contractor to pay for the expenses incurred to date, waiving the extraction fee would be a gift of public funds. The extraction fee is \$8 per cubic yard. Staff is attempting a meeting with supervisor Janice Rutherford to rectify this problem. Staff is also still in need of the Nationwide Permit.
- **Reservoir 4 Cleaning and Lining** – Staff presented pictures of the draining, cleaning, lining, and refilling of the reservoir.

I. Chino Basin Water Transfer to Calmat – Mr. Moorrees was asked if SAWCo was able to transfer water to CalMat in Chino Basin. When the application was presented to Chino Basin Watermaster an intervention by Calmat was also presented. SAWCo was advised that the intervention had nothing to do with the request to transfer water to CalMat in Chino Basin. It was discovered that the intervention was tied to the request to transfer water as CalMat is in a different Pool than SAWCo which, according to the Peace II Agreement, prevents a transfer of water between the two parties. As such, SAWCo pulled the request to transfer water to CalMat from the Chino Basin Watermaster agenda.

With transferring water to CalMat through Chino Basin no longer an option, CalMat is now asking for a WSA. Mr. Moorrees is asking the Board defer this topic to the PROC for discussion on what the threshold should be for entering into WSA's with shareholders.

There are legal issues to be discussed in closed session.

7. Closed Session – The Board and management recessed to closed session at 5:28 p.m. to confer with legal counsel (GC§549566.9[a]) Case Number RCV 51010, CBMWD v. City of Chino et al.

The Board and management returned from closed session at 6:07 p.m. Management was advised by the Board after discussion with legal counsel on how to proceed.

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

Adjournment: Seeing no further business, the meeting was adjourned at 6:08 p.m.

The next Board Meeting will be held on Tuesday, November 21, 2017 at 5:00 p.m.

Assistant Secretary
Charles Moorrees