

SAN ANTONIO WATER COMPANY

MINUTES OF THE SAN ANTONIO WATER COMPANY

Tuesday, October 19, 2010

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 Dr. Fred Gattas, Will Elliott, Tom Thomas, Robb Quincey, and Mark Hill. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and Eric Hanson of Inland Productivity Solutions, Inc. Director Thomas presided.

- Call to Order
- Salute to the Flag

1. Recognitions & Presentations: Mr. Moorrees announced the 5th Annual Landscape and Water Fair taking place on October 23rd at the Chino Basin Water Conservation District from 9:00 a.m. to 1:00 p.m. He also introduced Mr. Eric Hanson from Inland Productivity to present the pros and cons of Facebook which relates to Item 6A on the agenda.

Mr. Hanson stated that he was asked to talk about the pros and cons of having a Facebook "fan page" or what is now called a "like page". He reported that the first things to do are to find out what the goal is and have a plan. Is it for client or customer communication, selling or marketing a product, event, etc.? The second thing to decide is who will be in charge of keeping up the site. Avoid irrelevance by not posting a lot of information all at one time and then nothing for a period of time. Dedicate resource time of possibly one hour per week to update and make certain there is enough content to post. All the social networking sites have terms of use and anything that goes up there is no longer private. Security updates on Facebook need to be looked at immediately because on multiple occasions they have released updates that have reset the security settings. It may be beneficial to have a link from SAWCo's website to their Facebook site. Be aware that what SAWCo posts on Facebook will post on the walls of people who have "liked" SAWCo's Facebook page.

Dr. Gattas questioned whether SAWCo could limit communication to just its shareholders. Mr. Hanson replied that it could be tailored to receive limited communication back from shareholders.

2. Additions-Deletions to the Agenda: None.

3. Shareholder-Public Testimony: Mr. Ken Petschow spoke with regards to a letter that was received by the San Antonio Heights Association (SAHA) from Mr. Moorrees. The letter stated that SAWCo would not be speaking at or manning a table at the Annual SAHA meeting this November. Mr. Petschow stated that the SAHA Board is upset by the decision and asked that the Board reconsider having Mr. Moorrees attend the meeting because it's the only time the residents have the opportunity to vent their frustrations toward all the public officials that affect the residents of San Antonio Heights. Mr. Petschow plans on reading the letter if Mr. Moorrees does not attend the SAHA meeting and believes it sends a very poor message to the residents. He stated that the San Antonio Heights residents are the only public shareholders that SAWCo has to deal with and it sends a message that he is weak and has very thin skin and can't handle a few aggressive, angry, agitated shareholders comments and questions. Mr. Petschow again asked that the decision be reconsidered.

Mr. Petschow also commented on the fact that there are a couple of Board members that were affected by something that Ken McNeil did. Mr. Petschow pointed out that Mr. McNeil is not on the SAHA Board and his most recent action was something he did solely on his own. No approval was given by the SAHA Board and Mr. Petschow even advised against it feeling that it was a petty thing. He wanted the Board to know that SAHA was not Ken McNeil.

Dr. Gattas stated that he did not attend last year's SAHA meeting and asked what the main problem was at that meeting. Mr. Petschow replied that the shareholders were upset that the auction took place

and it was not done how the Devore water company had done it. He also stated that the shares going to Monte Vista Water District was exactly what they had feared would happen. The water shares would leave the heights and go to someone who would actually use all their allotment.

Dr. Gattas questioned why Mr. Petschow did not feel the obligation to stop the attack on Mr. Moorrees. Mr. Petschow was conducting the meeting, is the president of SAHA and was aware of the legal procedures SAWCo was forced to follow. Mr. Petschow replied that he did not think it was that bad of an attack. Dr. Gattas stated that Mr. Moorrees was a guest, he did not request to be there, and he should have been protected. Mr. Petschow stated that it was the shareholders time to talk and if he had felt like Mr. Moorrees was being beat up unjustly he would intervene. He then admitted to sort of inciting the attack. Dr. Gattas stated that he felt Mr. Petschow had a responsibility and then also asked on behalf of the Board for him to protect their members if they are asked to come to the organization from any unusual or unnecessary attacks.

Mr. Moorrees stated that before the issue came up with Ken McNeil, he presented at the AFC meeting that SAWCo had received SAHA's invitation to speak and had determined not to. He thanked Mr. Petschow for speaking and stated that he would consider his request.

4. Consent Calendar Items:

- A. **Approval of Board Meeting Minutes**
Regular Meeting Minutes of September 21, 2010.
- B. **Planning, Resources, and Operations Committee (PROC) Meeting Minutes**
No meeting to report.
- C. **Administration and Finance Committee (AFC) Meeting Minutes**
Receive and file minutes of July 27, 2010.
- D. **Financial Statement**
Income Statement and Balance Sheet for August 31, 2010 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 ongoing 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**
 - SAWCo Letter to Editor Inland Daily Bulletin
 - Letter to SAHA regarding speaking engagement

Mr. Elliott moved and Dr. Gattas seconded to approve the Consent Calendar Items as presented. Motion carried.

5. Board Committee – Delegate Report:

- A. **PVPA Representative's Report** – Mr. Thomas reported that a meeting was held October 6, 2010. Maintenance of the Thompson's Creek Spreading Grounds has been completed and the Draft Annual Report has been received. A recent transfer of \$100,000 to a money market account with Citizens Business Bank was made due to concentration of risk.
- B. **Six Basins Representative Report** – Mr. Moorrees reported there was a Technical Committee meeting to discuss getting a Request for Proposal (RFP) for Six Basins Watermaster Master Plan. Three Valleys Municipal Water District (TVMWD) did not want to take on the project due to time constraints. Forming an Ad-HOC committee was discussed and brought to the Board on September 22, 2010. There was a discussion regarding Inland Empire Utilities Agency's (IEUA) request to store water behind the Dam and it was decided that Six Basins Watermaster would take action to stop IEUA since it is the responsible agency. There was a discussion on the classification of SAWCo's spread water in Six Basins. At the time of the Storage and Recovery Agreement it was classified as

import water. Due to the fact that it is the same water that Pomona has under their Storage and Recovery Agreement, it was agreed to change the priority to native. When there is a storm event, import water would be the first water to be taken out of the equation and would be lost.

Mr. Thomas clarified that the upper Claremont Basin is a relatively small basin and when there is a heavy rain year it spills over into subsequent basins and some ends up in Chino Basin.

Mr. Moorrees also stated that there is a threshold elevation that is monitored to make sure that when it does reach that level no more water can be spread. Water designated as lower priority are at risk.

Mr. Moorrees also reported that TVMWD is now a producer and cannot operate as the administrator for the Six Basins Watermaster unless the judgment is amended in court. It was determined to develop an RFP to solicit interest from parties and agencies that are interested in providing that service. A list was compiled.

Mr. Thomas stated that TVMWD's contract is through 2011 so there is time to find a suitable replacement or go out to bid again. The only agency on the list was the Water Facilities Authority (WFA).

- C. **Administration and Finance Committee (AFC) Chairman's Report** – Director Ken Willis was not in attendance. Mr. Moorrees indicated that the AFC items were on the agenda.
- D. **Planning, Resources, and Operations Committee (PROC) Chairman's Report** – No meeting to report.

6. Administrative & Financial Issues:

- A. **Social Media-Facebook** – Mr. Moorrees referred to Mr. Hanson's presentation in regards to the pros and cons of developing a Facebook page as a communication tool to get information to SAWCo's shareholders.

Mr. Thomas advised the Board that virtually every group that he is involved with such as the Chamber of Commerce, Tour de Foothills, etc. have their own "fan page". He expressed how easy it is to set up and how it can direct shareholders to SAWCo's website.

Mr. Thomas moved and Dr. Gattas seconded to authorize staff to establish the use of Facebook as a communication tool for SAWCo. Motion carried.

- B. **Establish General Laborer Position** – Mr. Moorrees reported that in March of this year, management had to terminate one of its employees working in the capacity of a Utility Worker I. In discussions with the Field Operations Lead personnel, it was evident that an entry level position was needed for prospective employees that may be new to the water industry with little or no experience.

Unlike larger Water Utilities whereby employees have specific tasks and titles, SAWCo's Field Operations staff is required to do all tasks associated and not associated with the delivery of water. It became apparent that some applicants who apply for their Water Utility Worker I with the required certifications find that there is a lot more to the task of supplying water and may become disillusioned with the other mundane tasks in maintaining a water system.

Mr. Thomas moved and Mr. Quincey seconded to approve the General Laborer position and to begin recruitment. Motion carried.

- C. **Award Irrigation Waterline Replacement at Upland Hills Golf Course** – Mr. Moorrees reported that a copy of the spreadsheet for the bid opening SAWCo held earlier in the day was on the Board members dais.

(Mr. Quincey left meeting at 5:32 p.m.)

Mr. Moorrees continued stating that four contractors bid on the project. Norstar Plumbing came in with the low bid of \$89,664. Second lowest bidder was only \$840 above Norstar Plumbing. Only \$74,000 was budgeted for this project when it was originally approved for 2009.

Mr. Moorrees recommended the Board approve Norstar Plumbing's bid at \$89,664 and a 15% construction contingency of \$13,450 for a total of \$103,114 and amend the budget to \$104,000 for this project out of Capital Reserves.

Dr. Gattas questioned why there was such a discrepancy from E & R Constructions bid. Mr. Moorrees replied that E & R Construction has not done a project for SAWCo in some time. He did comment that they were not at the job walk and he is uncertain why their bid was so high.

Mr. Hill inquired as to whether SAWCo had problems last year with Norstar. Mr. Moorrees replied there were no problems last year with Norstar.

Mr. Elliott moved and Dr. Gattas seconded to approve the manager's recommendation. Motion carried.

- D. **Mid-Year Budget Review** – Mr. Moorrees reported that based on the budget versus actual report ending June 30, 2010 and the projection for the end of the year, revenues are up and expenses are just a little bit over budget. He cautioned that now that SAWCo is involved in a legal complaint there will be an increase in budget for legal costs.

Mr. Hill moved and Dr. Gattas seconded to receive and file. Motion carried.

- E. **Annual Meeting of Pomona Valley Protective Association (PVPA)** – Mr. Thomas stated that since he was asked to carry the proxy that he will abstain from voting.

Dr. Gattas moved and Mr. Hill seconded to approve Mr. Thomas as proxy to vote for all shares in PVPA. Motion carried with Mr. Thomas abstaining.

- F. **Project Status Report** –

- **Tunnel Pipeline Improvement** – Pictures of the work was presented.
- **26th Street Pipeline-1,840 LF of 12" Waterline** – Pictures of the work was presented. Project is complete pending paving and final inspection.
- **Urban Water Management Plan** – Kick off meeting with CivilTec Engineering to move forward with this project will be held November 8th.
- **Chronological History Documentation** – Data collection is complete. Project should be completed by the end of October.
- **Cucamonga Basin-Desilting project at crosswalls**- Received notification from the Department of Fish and Game to proceed. Waiting for a response from the Department of Water Resources. Request for Proposals going to the PROC next week for the 26th Street conveyance system project which will convey San Antonio Creek water to 26th street and the crosswalls.
- **Water Rights Investigation-Activity** – Closed session discussion.
- **Cucamonga Basin Management Plan** – Meeting scheduled with Cucamonga Valley Water District and Wildermuth Environmental, Inc. to go over the analysis phase on October 28th.

The Board went in to a closed session at 5:45 p.m.

7. Closed Session – *General Manager's Performance Review [subdivision 9b) of Section 54957, CGC]*
Mr. Thomas stated that Mr. Moorrees is doing an outstanding job and encouraged him to keep up the good work.

Water Rights-Legal Complaint filed in Mt. Baldy (§54956.9 (c))

Mr. Thomas reported that updates were received and no additional actions were to be taken at this time.

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

Adjournment: Mr. Thomas announced that since there was no further business, the meeting was declared adjourned at 6:14 p.m.

Assistant Secretary
Charles Moorrees