

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, October 21, 2014

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, Glenn Bozar, Sue Sundell, Bob Cable, and John Gerardi. Also in attendance were the City of Upland's City Manager Rod Butler, Public Works Director Rosemary Hoerning and Mayor Ray Musser; resident Bob Skalet and SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions & Presentations: Mr. Moorrees brought the Board's attention to the new City of Upland City Manager, Rod Butler, who was in attendance. Mr. Butler introduced himself to the Board. An invitation to attend the next tour of SAWCo facilities was extended to Mr. Bulter. Mr. Moorrees advised he would send Mr. Butler the tour packet.
- 2. Additions-Deletions to the Agenda: Mr. Moorrees brought the Board's attention to a copy of correspondence on the dais with the Upland Viewpoint Homeowners Association regarding a complaint made about SAWCo's Upland Hills Golf Course waterline project. This topic will be added to the agenda as Item 6J.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes September 16, 2014.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Approve July 29, 2014 meeting minutes.
 - C. Administrative & Finance Committee (AFC) Meeting Minutes
No meeting to report.
 - D. Financial Statement
Corrected Comparative Income Statement and Balance Sheet for July 31, 2014.
Comparative Income Statement and Balance Sheet for August 31, 2014 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
 - Invitation to speak at 2014 SAHA Annual Meeting

Director Gerardi moved and Director Elliott seconded to approve the consent calendar items as presented. Motion carried.

- 5. Board Committee – Delegate Report:
 - A. **Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported the PVPA met on October 8th. They discussed upcoming water bonds and Foothill Water Coalition. West End Consolidated is working on the PVPA operating plan but is delayed a bit by the Six Basins study being pushed back several months.

At the meeting Ms. Hoerning presented information about an easement for the proposed waterline crossing 24th Street into the San Antonio Channel. Mr. Moorrees and Mr. Thomas will be meeting with Bill McDonald with Golden State Water Company to discuss his concerns.

- B. Six Basins Representative Report** – Mr. Moorrees informed the Board that at the Six Basins meeting the Board President, Ben Lewis, reported on a meeting he attended regarding the San Gabriel Mountains National Monument and indicated it only involved federal land. Mr. Moorrees was concerned that the results of this designation will not be known for another 3 years. Mr. Moorrees also commented on potential impact to special use lots on Forest Service lands.

There was a verbal report on Foothill Water Coalition of water suppliers with mutual interest in moving the water further west. Mr. Lewis was to attend the meeting in regards to this topic.

The Sustainable Groundwater Management Act recently passed provides for regulation of groundwater for the first time in California history. The State Water Resources Control Board (SWRCB) will be responsible for managing groundwater excluding adjudicated basins.

Rick Hansen of Three Valleys Municipal Water District stated that rationing of imported water supply may begin April 2015. Continued drought could lead more water companies to follow suit.

An Advisory Committee meeting is scheduled for October 22nd. Among the topics on the agenda for the meeting is the draft 2015 budget and the draft 2015 operating budget.

- C. Chino Basin Representative Report** – Ms. Layton reported on the October 16th Special Appropriative Pool meeting. The Chino Basin Watermaster submitted two proposals for the recalculation of the safe yield. One proposal was to apply a retrospective approach using the Peace Agreement to look at 2001 to 2010 for a recalculated safe yield in 2011. This approach is the purest approach and lands on the recalculated yield of 130,000 effective 2011 plus deducting SARUNY for desalter credits. This method requires Watermaster to go back and reassign the new safe yield to prior years and reassess the parties.

The second proposal takes a prospective approach using what is known today and projecting land use and future operations. The safe yield is calculated to be 135,000 and suggests annual review with a corrective mechanism. Safe yield would be reset in 2021. This approach leaves some remaining issues to be resolved by the end of April for the 2015-2016 assessment package.

The Appropriative Pool members met in closed session to discuss this issue and subsequently decided that they would present a proposal for the prospective approach but would continue to meet to resolve accounting issues. Prior to this decision being reached the Agriculture Pool made a declaration in support of the retrospective approach. The two approaches will be brought to the Watermaster Board on Thursday, October 23rd.

Meanwhile there have been several correspondence sent to the Watermaster Board from the City of Ontario, Monte Vista Water District, and Ken Jeske. SAWCo has continued to keep legal counsel informed of the issue in case a Peace III agreement is needed.

- D. Administration and Finance Committee (AFC) Chairman's Report** – No meeting to report on.
- E. Planning, Resources, & Operations Committee (PROC) Chairman's Report** – Mr. Elliott reported that during the PROC meeting items discussed included the Tolle Nursery ground lease as well as the consideration of alternative energy. Also discussed were water usage and the quitclaim of an easement.

6. General Manager's Report on Activities:

A. Tolle Nursery – Ground Lease Extension – Mr. Moorrees stated this item is for renewal of a ground lease with Tolle Nursery. The PROC recommended extending the ground lease for another year with an increase in the rental rate of 5%.

Mr. Moorrees recommended extending the Ground Lease for Tolle Nursery Co., Inc. for another 12 month term beginning November 1, 2014 and ending October 31, 2015 for SAWCo property located at 20th Street and Campus Avenue with an increase in rental fee of 5% for a total of \$2,625.

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

B. Annual Meeting of Pomona Valley Protective Association (PVPA) – Mr. Moorrees reported that the annual meeting for PVPA takes place in November. It is held to elect the Board of Directors for the upcoming year as well as conduct other annual business.

Mr. Moorrees recommended the Board appoint Mr. Tom R. Thomas as proxy to vote all shares at the annual shareholder's meeting of the Pomona Valley Protective Association on November 12, 2014.

Director Elliott moved and Director Sundell seconded appoint Mr. Thomas as proxy for the annual shareholder's meeting of the PVPA. Motion carried with Director Thomas abstaining.

C. Request for Quitclaim – Tract #4558 in Ontario, CA - Mr. Moorrees reported on a request for the quitclaim of an existing easement for SAWCo property located on the northeast corner of 4th Street and Mountain Avenue in Ontario, California. The request is from a developer who is asking for clear title to develop what is being called the 'Ontario Plaza North'.

At one time, SAWCo conveyed water to irrigation groves in Ontario by way of irrigation ditches, flumes and pipelines. SAWCo no longer services this area and the structures are abandoned in place. Therefore, SAWCo does not require the use of this easement for any future use.

When this item was presented to the PROC some of the questions raised were; 1) are the existing charges adequate to cover expenses; and 2) is there a value to these easements. It was agreed that these questions would be presented to the AFC for discussion.

Mr. Moorrees recommended the Board approve the quitclaim subject to legal review.

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

D. California Association of Mutual Water Companies - Mr. Moorrees advised the Board that on August 14, 2014, staff met with Jim Byerrum, the President of California Association of Mutual Water Companies (CAMWC) and the Executive Director to discuss the newly formed organization developed to be of assistance to Mutual Water Companies and to see if SAWCo would consider membership as beneficial.

Mr. Moorrees felt it would be beneficial for SAWCo to join this organization due to the commonalities it has with mutual water companies. Thus far CAMWC has been active in fighting regulatory issues that negatively impact mutual water companies. They have successfully added protective verbiage to the Sustainable Groundwater Act and language to allow mutual water companies to be eligible for bonds. CAMWC also has grant writers on staff to aid members.

On September 30, 2014, Staff presented the opportunity to become a member of this organization to the PROC. The committee agreed it would be beneficial to add membership dues to the budget for 2015. Dues amount will be based on total revenue at the end of the year.

Mr. Moorrees recommended the Board agree with the PROC regarding benefits of membership in CAMWC and recommends the Board include membership fees in this organization for the CY2015 budget.

Director Sundell questioned whether SAWCo is allowed to have input in the association. Mr. Moorrees replied that there are monthly board meetings that can be attended input can be given during those times as well as through correspondence with CAMWC staff.

Director Gerardi pointed out that membership for the first half of next year is free. Charges begin in July of 2015. SAWCo has time to see how things go before a financial investment is required.

Director Sundell moved and Director Elliott seconded to approve membership in the California Association of Mutual Water Companies (CAMWC) and to include membership fees in this organization for the CY2015 budget. Motion carried.

- E. Coro Conference / Water's Value in a Changing Climate** – Mr. Moorrees advised the Board that the 6th Annual Coro Conference was taking place on Tuesday, November 18, 2014. Last year SAWCo participated as a Silver Sponsor for \$5,000 which allotted them a 10 person table at the conference as well as their logo on select event materials and a full page advertisement.

Mr. Moorrees recommended the Board discuss participation and/or sponsorship in the upcoming Coro Water Conference in November 2014 and make recommendations as appropriate.

Director Thomas was concerned of the timing of the event and its location as the day it is scheduled is also the day SAWCo holds their November Board meeting.

After discussion it was determined that participating as a Bronze Sponsor for half of a table allotting 5 persons for the event would be best.

Director Bozar moved and Director Gerardi seconded for SAWCo to purchase half of a table allowing for five members to attend the Coro Conference in November 2014. Motion carried.

- F. Water Use and Supply Update and Impact** – Mr. Moorrees informed the Board about the water usage in SAWCo's domestic service area. Domestic customers have used more water so far this year than they did during the same time frame last year. Consumption is increasing while supply is decreasing.

Mr. Moorrees provided data on rainfall and temperature for 2014 as well as 2013. With water usage at an increase, Mr. Moorrees advised of his concern for how customers are using water inefficiently. Staff has observed a considerable amount of water run-off from domestic customer's properties. Municipal and irrigation customers have reduced their water consumption 18% and 4% respectively.

Staff met with Holliday Rock and Red Hill Golf Course about reducing their consumption. There is a possibility of the rock company's ability in using recycled water in the near future.

Currently SAWCo's Tunnel water is not being used for domestic purposes. Water quality results have forced the Tunnel water to the City of Upland's treatment plant. SAWCo is meeting with Harper and Associates to evaluate the Tunnel and collect water quality samples for evaluation by two different laboratories.

Once complete, staff plans to meet with the California Department of Public Health to determine what can be done to get the Tunnel back to domestic use. Staff is looking at the possibility for ultraviolet treatment (UV) as long as it is still considered groundwater. If considered to be under the influence of surface water, the use of UV and filters will be needed.

Mr. Moorrees spoke about the possibility of implementing the High Shortage Stage for water conservation. SAWCo has had a reduction in its safe yield in Six Basins, the safe yield in Chino Basin is being reset at a lower amount and set a fixed amount of water in Cucamonga Basin SAWCo for the year. Mr. Moorrees will keep the Board informed on water supplies and advise if more restrictions on water consumption are necessary.

Director Bozar questioned how close SAWCo is to having to go to the higher alert stage. Mr. Moorrees answered that another year of little to no rainfall could be catastrophic. SAWCo is trying to find ways to get facilities connected to other entities such as Cucamonga Valley Water District and the City of Pomona to increase the amount of water they can bring in for delivery to shareholders. SAWCo reduced entitlement this year to 13,000 acre feet (AF) but Mr. Moorrees projects that SAWCo may only be able to produce up to 12,000 AF should weather conditions stay the same. Entitlement may need to be reduced once again.

Director Gerardi moved and Director Sundell seconded to receive and file the report. Motion carried.

- G. Classification and Compensation Study** – Mr. Moorrees advised the Board that when beginning the Classification and Compensation Study the AFC requested to see the list of comparator agencies used for comparison of SAWCo staff positions.

The names of the 16 agencies were provided in the Board packet. Not all of the agencies are water related and some are much larger than SAWCo. The purpose is to find positions, knowledge and duties that are similar. These agencies are who SAWCo competes with for employees.

Director Bozar inquired if Golden State Water Company would be comparable. Director Thomas questioned if Water Facilities Authority (WFA) would also be comparable. Mr. Moorrees responded that it is possible to include the WFA.

Director Gerardi questioned how the consultant was going to filter the data they are receiving from these comparable entities and apply it to SAWCo. Mr. Moorrees offered to bring the information to the next AFC meeting or possibly schedule a special meeting.

Directors Gerardi and Thomas both felt a special meeting was appropriate. Mr. Moorrees stated that if the Board approved the comparator list provided, when RSG Consultants gets the data he will call a special meeting with the AFC to discuss how it is utilized.

Mr. Moorrees recommended the Board approve the comparator list and authorize a special meeting to discuss the data compiled and how it is being utilized in the Classification and Compensation Study.

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

- H. Development Project Update** – Mr. Moorrees stated that there was not much new to report. The 19th Street development has been completed but a final walk through has not taken place.

There is a 12,000 square foot home being built on Rose Court with an infiltration basin on site to collect on-site runoff.

I. **Project Status Report –**

- **Mountain Drive – ECW – 1,500 LF 8” Waterline** – Pictures were shown of the work completed.
- **Vista Drive - [\$120,000 + \$12,300 = \$132,300]** – The main line is in. Working on meter connections.
- **Upland Hills Golf Course - Irrigation waterline replacement** – Photos were shown of work completed.
- **City Treatment Plant Surface Water Delivery - Dissolved Air issue** – Alternatives were discussed with WMI.
- **Well 25A-Site Improvements per City CUP – Carry Over CY 2014** – Landscape plans were received back from the City of Upland. Some corrections are needed. They will be made and the plans will be resubmitted shortly. Pictures were shown of the wall installation.
- **WFA Pipeline Connection** – Delayed due to the unavailability of the sand separator.
- **Basin 6 Desilting** – San Bernardino County Flood Control District (SBCFCD) is requiring separate environmental. Regulatory approval is still needed from Army Corps of Engineers, Department of Fish and Wildlife and Regional Water Quality Control Board.
- **Cucamonga Basin** – Desilting project at crosswalls – Final environmental document is being reviewed by the City of Upland. It should be finalized by March of 2015.

J. **Upland Viewpoint Homeowners Association Complaint** – A Notice of Construction was given to all residents of Viewpoint in Upland. Information on what work was being done, who was doing the work and who to call with any issues was listed on the notice.

No calls were received by SAWCo until the day the project completed. Staff responded to the complaints that ranged from workers shouting at dogs, blocking driveways and not utilizing the portable toilet.

7. Closed Session: None.

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

Adjournment: There being no further business the meeting adjourned at 5:50 p.m.

Future Meetings:

- The next Regular Board Meeting will be held on Tuesday, November 18, 2014 at 5:00 p.m.

Assistant Secretary
Charles Moorrees