

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, November 15, 2016

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 Tom Thomas, Will Elliott, John Gerardi, Glenn Bozar, and Sue Sundell. Also in attendance were the City of Upland's Public Works Director Rosemary Hoerning, Executive Director of Chino Basin Water Conservation District Eunice Ulloa, and SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton and Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions and Presentations: Mr. Moorrees announced Rosemary Hoerning's and Eunice Ulloa's attendance at the meeting.
- 2. Additions-Deletions to the Agenda: Mr. Moorrees added the City of Upland's Letter of Intent to Purchase as Item 6l on the agenda.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes October 18, 2016.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report.
 - C. Administrative and Finance Committee (AFC) Meeting Minutes
AFC meeting minutes of August 23, 2016.
 - D. Ad Hoc Committee Office/Yard Relocation Meeting Minutes
Ad Hoc Committee meeting minutes of August 29, 2016.
 - E. Financial Statement
Comparative Income Statement and Balance Sheet for September 30, 2016 and year-to-date.
 - F. Investment Activity Report
Monthly Report of Investments Activity
 - G. Water Production
Bi-Monthly water production [Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, Nov/Dec]
 - H. Prominent Issues Update
Status summaries on certain on-going active issues.
 - I. Projects and Operations Update
Status summaries on projects and operations matters.
 - J. Groundwater Level patterns [Quarterly in April, July, October & January]
Tracking patterns of groundwater elevations relative to ground surface.
 - K. Correspondence of Interest:

Director Elliott moved and Director Bozar 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 the Annual Shareholders Meeting for PVPA was held the previous week. The same overall Board was nominated, however, there may be a couple of changes for the City of Pomona representatives depending on city election results.

- B. Six Basins Representative Report** – Mr. Moorrees reported on the Six Basins Watermaster Board meeting held on October 26, 2016. There was one action item on the agenda for the meeting which was to approve the task order for the preparation of planning to implement the Strategic Planning projects. Informational items included the 2017 operating safe yield (OSY) and the general consensus to drop the OSY to 14,000 acre feet (AF) which will be presented at the next Six Basins meeting. There was discussion about the 2017 budget and assessment along with reserve goals.

The Operations and Maintenance (O & M) Plan was not taken into consideration in the line item budget for the Watermaster cost sharing with PVPA due to the plan having not been finalized and PVPA requesting an increase in the budgeted amount. Additional budget can be added for potential changes and if it is not sufficient it can be taken out of Operating reserves. The O & M Plan was considered part of Wildermuth Environmental, Inc. (WEI) technical administrative services and they anticipate spending more time collaborating with PVPA on spreading activities. The amount allocated for the cost share of PVPA for the O & M of the spreading grounds represents Watermasters share of the O & M costs per the Memorandum of Understanding (MOU) between PVPA and the Watermaster not the full cost of PVPA operating and maintenance activities.

During the Watermaster meeting, director McDonald summarized a letter from PVPA in the board items to six basins Watermaster requesting six basins Watermaster take responsibility for the annual reporting of the PVPA spreading diversions to the State Water Resources Control Board as required by Senate Bill 88. Ms. Hoerning noted the new monitoring requirements under this bill will provide the Watermaster with more high frequency data that will be beneficial for strategic plan implementation.

Mr. Moorrees introduced SAWCo's Water Utility Superintendent, Tommy Hudspeth, at the six basins Watermaster meeting. Mr. Hudspeth is proposed to be the alternate for SAWCo in 2017.

- C. Chino Basin Representative Report** – Ms. Layton reported on the Chino Basin Watermaster 2015 Safe Yield Reset Agreement (SYRA). By December 2, 2016 the court will issue a briefing schedule with its list of questions for further briefing. The court noted that further oral argument is not foreclosed.

During the Appropriative Pool Meeting held on November 10, 2016 the transfer of 112.219 AF of water from the City of Pomona to the City of Ontario was presented. SAWCo previously gave water to the City of Pomona from six basins for the City of Pomona to then transfer to the City of Ontario. The transfer approval will go to the Chino Basin Board meeting at the beginning of 2017. This transfer of water fulfills the City of Ontario's entitlement of SAWCo water for 2015.

Chino Basin Watermaster currently has \$158,251 available cash reserves from Senate Bill 222 (SB 222) funds that are not being productively used. Watermaster would like to resolve the fund by allocating the balance of \$158,251 towards the FY2016-2017 assessment invoicing and reduce the overall bank cash balance. Monte Vista Water District (MVWD) suggested a second look at the OBMP as a new perspective for the use of the funds. In the end the parties agreed to have it consolidated in the assessment package.

The assessment package was approved as presented, including no credit for Stormwater New Yield and postponing the assessment for the Desalter Obligation. It was also based on 140,000 AF OSY. Amendments will be necessary once the court has finalized its decision. SAWCo's assessment is expected to be \$192,084.65.

In regards to the 2013 Recharge Master Plan Update Amendment (RMPUA), the Appropriative Pool was asked to consider adopting the "Opt out" provision from Section 5.1[c] of the Safe Yield Reset Agreement. Some of the parties thought this should not be separated out from the agreement. The parties chose not to act on this item. Forty-three projects were identified as possible yield enhancement project in the RMPUA. Of the 43 projects, 11 projects were selected for further

analysis. Two projects since then became unviable and were dropped. The remaining nine projects were approved for the Preliminary Design phase. At the October Recharge Improvement Projects meeting, the committee discussed the Preliminary Design Reports for the nine projects and recommended bringing forth 5 of those projects for approval. All the parties agreed to these 5 projects. This suite of projects will yield an estimated 4,981 AF of storm water with a melded unit cost of \$380/AF.

Watermaster brought forth a proposed amendment of Application for Supplemental Water Recharge Form 2 that was consistent with current policy and does not affect or involve policy changes. Recharge policies are important and need to be addressed by an update of the Watermaster's Rules and Regulations. This would resolve the question of priorities in case of competing recharge applications. This update is anticipated in 2017 and the parties approved the revised Form 2 for moving forward on recharging water.

D. Administration and Finance Committee (AFC) Chairman's Report – Director Sundell advised the items discussed at the AFC meeting are included in the general manager's report.

E. Planning, Resources, & Operations Committee (PROC) Chairman's Report – No meeting to report.

F. Office Feasibility Study Ad Hoc Committee – Items discussed at the Ad Hoc committee meeting are included in the general manager's report.

6. General Manager's Report on Activities:

G. LAFCO Application- Consolidation of the Chino Basin Water Conservation District – Mr. Moorrees gave a summary of the consolidation application and SAWCo's participation thus far in the process.

Ms. Ulloa approached the podium and encouraged the Board to approve the draft letter presented which opposes the consolidation effort by Inland Empire Utilities Agency (IEUA). She explained a LAFCO committee had been formed to review and give recommendation on the topic. The committee met the previous day with CBWCD not in attendance. CBWCD believes in an open and inclusive type of business environment and requested affected parties be allowed to attend the LAFCO committee meeting. LAFCO chose not to allow affected parties to participate in their meeting; LAFCO staff, San Bernardino County, Inland Empire Resource Conservation District (IERCD), IEUA, and CBWCD were the only parties allowed in the meeting. CBWCD declined to attend the meeting with respect to the concerns of the affected agencies and sent notices to the affected parties that they had been denied access to the LAFCO committee meeting and suggested they request permission to attend. Multiple parties sent requests to attend the meeting directly to LAFCO and were denied. CBWCD also requested the ability to record the meeting. A second meeting is scheduled for December. Ms. Ulloa stated there are too many unanswered questions about consolidation and the proposal that is in front of the LAFCO committee is not what is going to be recommended by their Executive Director. The Executive Director's plan is to "cut the baby up into different pieces". Ms. Ulloa stated CBWCD provides very valuable services and enjoys partnering with local agencies. In the fifth year of the drought it is critical to emphasize water conservation.

Director Thomas questioned, with the recent changes to the IEUA Board, whether or not IEUA could decide not to pursue consolidation and LAFCO abandon the process. Ms. Ulloa hopes IEUA does withdraw its application for consolidation but believes the LAFCO executive director could press forward with her alternative proposal. IERCD advised CBWCD they are not interested in taking over the education portion of CBWCD and are not in favor of consolidation.

Director Thomas inquired if there were additional steps CBWCD could take should LAFCO make a decision in favor of consolidation. Ms. Ulloa answered CBWCD has obtained the services of a very reputable attorney and public relations firm.

Director Bozar thanked Ms. Ulloa and stated her information confirms what SAWCo had been questioning. Ms. Ulloa stated there is obviously an agenda that is being pushed which is to no one's benefit.

Mr. Moorrees reported that at the AFC meeting it was decided there wasn't sufficient evidence to support the consolidation. He recommended the Board comment on the draft letter to LAFCO opposing the consolidation and direct staff as appropriate.

Director Bozar moved and Director Gerardi seconded to approve the letter to LAFCO opposing the consolidation of the CBWCD with IEUA as presented. Motion carried.

- A. CY2017 Calendar** – Mr. Moorrees stated this is a standard meeting calendar and to notify him if there are any conflicts.

Director Elliott moved and Director Sundell seconded the CY2017 meeting calendar as presented. Motion carried.

- B. AdHoc Committee Representative** – Mr. Moorrees asked the Board to ratify Director Will Elliott's temporary appointment to the AdHoc committee during Director John Gerardi's requested leave of absence.

Director Gerardi moved Director Bozar seconded to ratify the appointment of Director Elliott to the AdHoc Committee during Director Gerardi's leave of absence. Motion carried.

- C. Office Relocation – CEDG Architectural Firm** – Ms. Layton reminded the Board of its approval to utilize the services of Claremont Environmental Design Group (CEDG) for Task 1 – Needs Assessment for the Office and Yard Relocation project. In August, the AdHoc committee requested CEDG provide a conceptual floor plan which was presented in late October. In order to move forward with Task 2, approval is needed from the Board. The conceptual plan was presented at a cost of \$3,500 and is considered to be part of Task 2.

The total cost for Task 2 – Pre-Design Services is expected to be \$34,560. There is currently \$16,000 remaining in the CY2016 budget for the Office and Yard Relocation. Staff is requesting the use of these remaining funds to facilitate pre-design services. Budget appropriation for the remaining work on Task 2 as well as a portion of Task 3 for CY2017 will be presented at the PROC and Board Budget Workshop for approval.

Director Sundell moved and Director Elliott seconded to approve the AdHoc committee recommendation to continue utilizing CEDG Architectural Firm and move forward with Task 2 – Pre-Design services for SAWCo's Office and Yard Relocation project; ratify \$3,500 spent to date on the conceptual plan, and authorize up to \$16,000 of the remaining budget for CY2016 towards Task 2. Motion carried.

- D. Board Gift – End of the Year Luncheon** – Mr. Moorrees stated this item was presented to the AFC for discussion. Over the past several years the Board has provided an end of the year monetary gift to SAWCo employees. Since 2007 the amount of the gift has been \$1,250. The proposed monetary gift was discussed by the AFC with a recommendation that the Board again offer a \$1,250 gift to SAWCo employees.

Director Bozar moved and Director Gerardi seconded to approve the end of the year gift to SAWCo employees in the amount of \$1,250 with prorated amount for part time employees. Motion carried.

- E. Senior Administrative Specialist** – Mr. Moorrees reported that at the AFC meeting, staff presented a proposed “Career Track Progression” for the current administrative positions much like the currently defined career path for Field Operations staff. The proposal was presented in an effort to address the adopted Strategic Plan for Workforce Development “move the Water Company forward in developing its workforce for the future to address gaps in knowledge, skills and abilities.” The intent was to develop a new program or policy to help foster movement of the Company into the future.

There was expressed concern that the proposed career track progression was too inflexible and would compartmentalize job assignments. The committee suggested developing career opportunities instead on an as needed basis. Staff would work with individual employees to develop their potential based on what the needs of the company and what the employee’s goals are. If these goals are in line with one another the Company can provide a position that is beneficial for both the water company and the employee.

As such, the Water Company presented the Senior Administrative Specialist position as a career opportunity for the current Administrative Specialist position. The job description was presented to the AFC and is included in the Board packet; it is the first point of contact for management.

Director Sundell moved and Director Elliott seconded to approve the Senior Administrative Specialist position as a career opportunity for the current Administrative Specialist position. Motion carried.

- F. Employee Benefit Plan Renewal** – Director Thomas stated this item is for the health, vision, dental, and life insurance policies. SAWCo is staying with the same companies as the previous year with no increases for most policies and below market increases for other policies.

Director Bozar moved and Director Sundell seconded to approve renewal of SAWCo’s current health insurance plan with HealthNet, dental plan with Delta Dental, vision plan with Blue Shield, and life insurance plan and AD&D insurance plan with Guardian with associated costs as presented. Motion carried.

H. Project Status Report –

- **WFA Pipeline Connection** – Pending WFA parties approval for making a physical connection.
- **Holly Drive Reservoir Design** – Working on the design which will carry over into next year. Construction of the reservoir may be deferred to 2018. Staff may have found a way to provide better water service to Holly Drive using a Variable-Frequency Drive (VFD). Installing a VFD may also allow for recoating of the reservoir without taking it off line. Another reservoir may still be needed to provide fire and emergency storage to this closed zone.
- **Rate & Fee Study** – Staff met with Carollo Engineers to work on other fees in the fee schedule. Carollo Engineers will also work with the Water Master Plan (WMP) consultant to find what capital facilities or asset replacement may be required based on the WMP. Alternatives should be presented and a workshop may be held prior to the end of the year. New rates are anticipated by February 2017.
- **Water Master Plan** – The water demand analysis is complete. The irrigation and domestic models are complete and they have begun to apply the design criteria to the domestic system that was recently adopted by the Board. Over the next month they will be applying the design criteria, calibrate the water model, and identify the deficiencies in the system.
- **Basin 6 Desilting** – San Bernardino County completed their review of the environmental documents. The project will go into a 30 day comment period at which time Mr. Moorrees will send out requests for qualifications. Staff will meet with TKE the following week to go over geotechnical aspects of the project.
- **Water Rights** – A phone conference was held with legal counsel and the State Water Resources Control Board. SAWCo is looking to ensure its water rights.

- **Well 31 Biological Treatment** – The pilot treatment plant is up and running. Nitrate levels have been reduced from 75 parts per million (ppm) to 5 ppm. Melded rate is projected to be \$315/AF. Proposals for financing the project will be presented at the next AFC meeting.

Mr. Moorrees also commented on the tour given to Mildura, Australia representatives on the previous Friday.

- I. **City of Upland Letter of Intent to Purchase** – Ms. Hoerning spoke in regards to the Letter of Intent to Purchase the southern portion of the property on the Northwest corner of 17th Street and Benson Avenue she submitted to Mr. Moorrees and the Board of Directors. The letter also requested permission to get an appraisal and allow consultants on the site to do their due diligence. Ms. Hoerning assured the Board that anyone entering the property on behalf of this project will be properly insured with SAWCo additionally insured. The request is dependent upon the approval of the City of Upland to allow building a reservoir at that location.

Director Elliott commented that the toughest appraisal are those involving raw land. He suggested adding 'by mutual agreement' regarding the purchase of the land at the appraised price. Ms. Hoerning stated she would make the revision and resubmit the letter.

Director Elliott moved and Director Bozar seconded to approve the Letter of Intent to Purchase submitted by Rosemary Hoerning, Public Works Director for the City of Upland, dated November 15, 2016 with the minor revision adding 'by mutual agreement'. Motion carried.

7. Closed Session: None.

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

Adjournment: Seeing no further business the meeting was adjourned at 5:48 p.m.

Future Meetings:

- Board Budget Workshop and End of the Year Luncheon Wednesday, December 7, 2016.
- The next Board Meeting will be held on Tuesday, December 20, 2016 at 5:00 p.m.

Assistant Secretary
Charles Moorrees