

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, December 19, 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, John Gerardi, Bob Cable, 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
- 1. Recognitions and Presentations: Mr. Moorrees recognized Bob Bowcock, Rosemary Hoerning, and Peter Cherbak in the audience.
- 2. Additions-Deletions to the Agenda: Mr. Moorrees brought the directors attention to the dais where a letter to a resident informing them of an illegal connection was placed. He requested adding the letter to Item 4K and pulling it for discussion.
- 3. Shareholder-Public Testimony: Mr. Peter Cherbak, resident for nearly 50 years in the San Antonio Heights, spoke to the Board about his concern that the debris basins in Cucamonga Canyon have never been maintained. He stated that for 30 years Bruce Claffin attempted to have something done about the debris basins being cleaned out to no avail. He questioned why it takes so long to get something so important completed. Mr. Cherbak lives in debris basin 3 which is controlled by the San Bernardino County Flood Control District (SBCFCD). He stated that every year SBCFCD measures the basin and if there is six inches of buildup they will go in and clean it out. Mr. Cherbak questioned if SBCFCD won't do the same with the debris basins in Cucamonga Canyon why won't they let someone else do it.

Director Thomas sympathized with Mr. Cherbak and assured him SAWCo has been and will continue to do all they can in order to get the Cucamonga crosswalls cleaned out to allow for percolation. As it shows in Item 6C of the agenda, SAWCo is very close to approval on the project.

Mr. Bob Bowcock spoke to the Board about the possibility of allowing Calmat Company to utilize their entitlement to water from 2017 in 2018 due to the long process for approval to intervene in the Chino Basin.

Director Thomas advised SAWCo would need to seek legal opinion on the matter prior to making a determination.

Mr. Moorrees stated reconciliation of entitlement for water service agreements is being presented to the PROC in January. Staff will include Mr. Bowcock's request at that time.

- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of November 21, 2017.
 - B. Approval of Board Budget Workshop Minutes
Meeting Minutes of December 6, 2017.
 - C. Administrative and Finance Committee (AFC) Meeting Minutes
No meeting minutes to report.
 - D. Planning, Resources and Operations Committee (PROC) Meeting Minutes
PROC minutes of September 26, 2017.
 - E. Financial Statement
Comparative Income Statement and Balance Sheet for October 31, 2017 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 and January]
Tracking patterns of groundwater elevations relative to ground surface.
- K. Correspondence of Interest
Letter to LAFCO regarding LAFCO 3222 and 3187 Countywide Service Review for Water

Item 4K was pulled for discussion. Director Elliott moved and Director Gerardi seconded to approve the Consent Calendar sans Item 4K. Motion carried.

Mr. Moorrees informed the Board about an unlawful connection in SAWCo's service area. Staff provided options for the homeowner to acquire water shares and advised him if he does not become a shareholder by December 30, 2017 staff will remove the unlawful connection. He will discuss at the next PROC meeting how to get realtors informed of water shares and the possibility of making water shares appurtenant to land.

Director Cable spoke about the letter to LAFCO. He is concerned about LAFCO being involved in Mt. Baldy when SAWCo has not resolved its water rights issue in the area. He urged staff to do whatever in their power to stop the process. Director Cable feels that LAFCO will move forward unless SAWCo utilizes legal means to stop them. He fears SAWCo may lose its water rights in Mt. Baldy if they do not take swift action.

Mr. Moorrees stated staff met with LAFCO who requested the information in writing. Staff complied and sent the letter presented in Item 4K of the agenda. Staff also spoke with special counsel, Fred Fudacz, about the matter. Additional monies have been allocated to the legal budget for 2018 to address water rights issues such as this. Staff is also attempting to schedule a meeting with the State Water Resource Control Board (SWRCB) Division of Water Rights in January or February of 2018.

Director Cable was concerned that LAFCO will press forward while SAWCo is waiting for meetings. Director Thomas agreed and asked staff to stress to both general and legal counsel of the Board's concerns and if a meeting needs to be scheduled prior to the January Board meeting they are willing to meet.

Director Cable moved and Director Gerardi seconded to approve Item 4K. Motion carried.

5. Board Committee – Delegate Report:

- A. Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported on the most recent PVPA meeting. There was some concern as to whether or not PVPA could retain 501(c)(3) nonprofit status and still contribute to Six Basins for project and to help reduce the amount of the annual assessment in Six Basins. PVPA's attorney determined it was okay to contribute as long as PVPA can show that the contribution went to projects that benefited the entire water community. Beginning in January 2018 clean-up work will begin in the retention basins in Los Angeles County. An easement agreement on a 5-acre landlocked property in Claremont has been reached. No water is being spread due to lack of rain.
- B. Six Basins Representative Report** – No meeting was held in December.
- C. Chino Basin Representative Report** – Ms. Layton reported there were no Appropriative Pool, Advisory Pool, or Board meetings held in December. SAWCo management met with Ed Means,

consultant for the Chino Basin Water Bank, on November 29, 2017. The water bank concept was discussed and there will be further meetings on the topic.

SAWCo staff attended the Groundwater Recharge Coordinating Committee meeting on December 12th. Recharge activities were discussed along with basin maintenance projects. Staff is also participating in the Chino Basin Governance Subcommittee and met with the other members who are Monte Vista Water District (MVWD), the City of Pomona and Cucamonga Valley Water District (CVWD). Past examples of issues with Watermaster's governance were discussed along with some recommendations. This committee expects to be done by May 2018 with its assessment and recommendations.

The Six Parties that have been meeting regarding the court's decision and the anticipated appeal are: CVWD, City of Pomona, MVWD, Jurupa Community Services District, City of Chino, and the City of Ontario. A meeting is scheduled for December 20th at noon to discuss the term sheet that has been reached between the parties. They are attempting to reach out to the other parties now. The court hearing regarding staying the judgment will be heard on February 2, 2018 at 1:30 p.m.

D. Cucamonga Basin Report – Mr. Moorrees stated management met with CVWD and West End Consolidated Water Company (WECWC) to discuss modernizing the Judgment and plan the next steps in managing Cucamonga Basin. It was agreed the parties would consider the initial draft judgment written by Fred Fudacz, SAWCo's special counsel, and CVWD. Staff is currently making comments on the draft judgment. The next meeting will be scheduled in January 2018.

CVWD has also agreed to participate in financing the Crosswall project as well as Basin 6 project.

E. Administration and Finance Committee (AFC) Chairman's Report – Director Elliott stated the items discussed at the AFC meeting will be included in the General Manager's Report.

6. General Manager's Report on Activities:

A. Policy on Water Service to Rental Properties – Mr. Moorrees reported the policy for water service to rental properties was presented to the AFC in November. It is intended to authorize and provide terms and conditions under which a Shareholder can direct delivery of water to a tenant occupying real property owned by the Shareholder. SAWCo's exemption from the Public Utilities Commission regulation is dependent upon them not delivering water to non-shareholders.

The proposed policy was drafted by legal counsel and reviewed by staff. There were some additional items recommended by the AFC that were incorporated in the final version.

Mr. Moorrees recommended the Board agree with the AFC and approve the written policy on shareholder rentals as prescribed by legal counsel.

Director Cable moved and Director Elliott seconded the general manager's recommendation. Motion carried.

B. Lease of Shares – Mr. Moorrees explained this item revises SAWCo's current lease of shares policy. Legal counsel recommends eliminating SAWCo's lease form and instead requiring shareholders to provide a legally sufficient contract of their own. Requirements for a legally sufficient contract are provided.

Mr. Moorrees recommended the Board agree with the AFC by adopting the revised written policy on leases as presented.

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

C. Cucamonga Crosswalls – Mr. Moorrees explained the many regulations that have delayed this project from starting. In August 2016 the Board requested staff discuss with the PROC the possibility of solicitation of bids for repair and desilting on the premise SAWCo would receive revenue to reimburse expenses to date or to require certain concessions from GRB Equipment. This option was presented to SBCFCD whose legal counsel believes SAWCo cannot profit from the County's material being excavated. With their perception as a "gift of public funds" the County removed the waiver of extraction fees.

In October of 2017 staff met with San Bernardino Public Works Director, Kevin Blakeslee, to discuss how SAWCo could proceed with the project in light of the issue of the extraction fee. The SBCFCD offered to develop a Memorandum of Understanding (MOU) with SAWCo that would consist of the following:

- The District would use its Board Approved fee ordinance process to bid out the soil removal for the Crosswalls restoration project.
 - The successful bidder would have to sort out their own access issue from the site.
- The SBCFCD would then split any revenue generated with SAWCO up to one half of the amount SAWCO has expended in environmental permitting.
- There is a risk that this might not generate any revenue, the fee ordinance is established so that we can accept a zero dollar bid, however, it sounds like there would be more than one interested party in the dirt.

This option was presented to the PROC in November for discussion. The Committee asked if the requirement for the Contractor (GRB Equipment) to pay the concession is removed would the SBCFCD waive the extraction fee. Subsequent to the meeting, staff obtained confirmation from the County to waive the extraction fee on the basis that the Water Company would not receive any revenue from the contractor.

Director Thomas commented the thought of SBCFCD taking over the project and the time it would take them to go out to bid was overwhelming. With CVWD now offering to cover half of the expenses, SAWCo will have spent nearly \$100,000. It might be well worth it after 7 years attempting to start this project to remove the concession requirement.

Mr. Moorrees recommended the Board agree with the PROC and remove the requirement of the contractor paying a concession to the Water Company on the premise that it will result in the SBCFCD waiving their extraction fee for the Crosswall project.

Director Gerardi moved and Director Cable seconded to approve removing the requirement of the Contractor reimbursing SAWCo for expenses to date as a concession from the gain of revenue for the material removed from the Crosswall project. Motion carried.

D. Water Supply Projection – Mr. Moorrees explained that although the projected water supply is exceeding the current entitlement, the forecast for next year predicts a dry year. SAWCo is getting to a point where they may not be able to deliver to the City of Upland water treatment plant. Staff calculated current numbers to try and determine the amount of water SAWCo can deliver next year and felt they could deliver 13,000 AF.

Mr. Moorrees recommended the Board approve the increase of the existing entitlement of 12,000 AF/YR to 13,000 AF/YR (8.3%) effective January 1, 2018 and continue to address water supply projections in October of each year with entitlements adjustments only if they are greater or lesser than 5%.

Director Thomas expressed concern raising the entitlement with the lack of rain in 2017 and the projection of only a 30% chance that there will be normal rainfall in the near future. He felt it best to leave the entitlement at 12,000 AF/YR.

Director Cable moved and Director Elliott seconded to keep the entitlement at 12,000 AF/YR. Motion carried.

E. Draft CY2018 Revenues, Administration and Operations Budget – Mr. Moorrees stated the budget was based on 13,000 AF entitlement. The only changes made from the budget presented at the Board Budget Workshop is the property taxes and the potential purchase of water from an outside agency.

Director Sanchez moved and Director Elliott seconded to approve the CY2018 Revenues, Administration and Operations Budget as presented. Motion carried.

F. CY2018 “Draft” Capital Improvement and Capital Outlay Budget – Mr. Moorrees advised there were no changes to the presented budget from that presented at the Board Budget Workshop.

Director Elliott moved and Director Gerardi seconded to approve the CY2018 Capital Improvement and Capital Outlay Budget. Motion carried.

G. Project Status Report – Mr. Moorrees reminded the Board that SAWCo has an arrangement with Mt. Baldy Ski Lifts to divert water from the San Antonio Falls to make snow. The United States Forest Service has now, after more than 10 years, agreed to allow the diversion of the water from San Antonio Falls for snowmaking.

7. Closed Session: None.

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

Adjournment: Seeing no further business, the meeting was adjourned at 5:39 p.m.

The next Board Meeting will be held on Tuesday, January 16, 2018 at 5:00 p.m.

Assistant Secretary
Charles Moorrees