

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, December 20, 2016

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, John Gerardi, Bob Cable, and Sue Sundell. Also in attendance were the City of Upland's Public Works Director Rosemary Hoerning, Steve Corrington with MIH, and SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton and Senior Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag

Glenn Bozar entered the meeting at 5:01 p.m.

1. Recognitions and Presentations: Mr. Moorrees mentioned three items placed on the dais; a letter from Local Agency Formation Commission (LAFCO) and a letter from Chino Basin Water Conservation District (CBWCD) both regarding Inland Empire Utilities Agency's (IEUA) rescinding their application for consolidating CBWCD, and a letter from the State Water Resources Control Board signed by many local water agencies to provide an executive order to make conservation a way of life in Southern California.
2. Additions-Deletions to the Agenda: None.
3. Shareholder-Public Testimony: Ms. Hoerning wished staff and board happy holidays and thanked staff for their assistance with the City of Upland building a reservoir at 17th Street and Benson Avenue.
4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes November 15, 2016.
 - B. Approval of board Budget Workshop Minutes
Workshop Minutes of December 7, 2016.
 - C. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
PROC meeting minutes of September 27, 2016.
 - D. Administrative and Finance Committee (AFC) Meeting Minutes
No meeting minutes to report.
 - E. Ad Hoc Committee Office/Yard Relocation Meeting Minutes
Ad Hoc Committee meeting minutes of October 27, 2016.
 - F. Financial Statement
Comparative Income Statement and Balance Sheet for October 31, 2016 and year-to-date.
 - G. Investment Activity Report
Monthly Report of Investments Activity
 - H. Water Production
Bi-Monthly water production [Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, Nov/Dec]
 - I. Prominent Issues Update
Status summaries on certain on-going active issues.
 - J. Projects and Operations Update
Status summaries on projects and operations matters.
 - K. Groundwater Level patterns [Quarterly in April, July, October & January]
Tracking patterns of groundwater elevations relative to ground surface.
 - L. Conservation Update
Quarterly Update of water conservation programs [January, April, July, and October]
 - M. Correspondence of Interest
 - Chino Basin Letter requesting AP Pool and Advisory representatives.
 - Letter for CY2016 financial audit services

Director Gerardi moved and Director Elliott 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 PVPA meeting held the previous week. Minimal water is being spread in the basin. Future projects with the recharge basin in the San Antonio spreading ground were discussed. Ms. Hoerning gave updates on activities taking place in the San Antonio and Thompson’s Creek spreading grounds. New meters are being installed to meet new regulations.

B. Six Basins Representative Report – Mr. Moorrees reported on the Six Basins Strategic Planning Workshop held December 14, 2016. The plan is a proposed water resource management program to sustain water supplies and improve water quality. Previously, the Board approved the task order moving forward to provide a planning proposal regarding the application for Proposition 1 funding. During the workshop Watermaster documented the goals for and reviewed each project articulated in the project description including any necessary capital improvements, operating plans and the like. The projects were separated into four categories; pump and treat groundwater in Pomona basin, storm water recharge improvements, supplemental water recharge improvements, and increased use of temporary surplus. This facilitated discussion on the projects for stormwater and the supplemental recharge. The California Environmental Quality Act (CEQA) process was discussed whether or not they do individual environmental review or programmatic environmental impact report. There was an update on Proposition 1 pre-application based on the preliminary project descriptions. Two additional workshops will be held in the near future.

SAWCo submitted an application to transfer 1,000 acre feet (AF) of stored water to the City of Pomona at \$180/AF. This item will go to Six Basin’s board in January 2017 for approval.

SAWCo also received a request from Three Valleys Municipal Water District (TVMWD) for the purchase of unproduced water rights. SAWCo offered 284 AF at \$180/AF to TVMWD and is awaiting a response.

Director Thomas commented the Strategic Planning Workshop was very positive in that areas with no water quality issues the focus was on enhancing water recharge and in the areas with water quality issues the focus is to work on cleaning it up. He felt these projects will enhance the overall yield.

C. Chino Basin Representative Report – Ms. Layton reported on the Chino Basin Watermaster 2015 Safe Yield Reset Agreement (SYRA). The Court was to issue a briefing schedule by December 2, 2016 but has pushed the date back to January 6, 2017.

There were no Advisory Committee, Appropriative Pool, or Board meetings for Chino Basin Watermaster in December. There was a Budget Committee meeting on December 6, 2017. SAWCo’s desire was to receive answers to questions regarding the Engineering and Legal budget for the Watermaster. Unfortunately, no answers were given to these questions only an explanation on the budget process. The Budget Committee consisting of representatives from the City of Pomona, Monte Vista Water District, Fontana Water Company and SAWCo met again on December 8, 2016. The committee agreed on recommendations which will be presented to the Appropriative Pool for consideration before suggesting them to the Watermaster.

An administrative meeting was held on December 15, 2016 regarding the storage issues in the Chino Basin. Storage management is not being considered until after the Court Order on the 2015 SYRA for clarity. Watermaster is approaching the limit of 500,000 AF in Chino Basin and has a contract agreement with Metropolitan Water District to store up to 100,000 AF of water. There was discussion about creating an addendum to increase the limit from the current cap. Desalter

obligations would reduce the amount in storage and will be looked at. Watermaster also plans to bring forth storage agreements in January for the water that is already in the basin.

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 – Director Elliott encouraged the board members to take a good look at the items under the consent calendar and advised topics discussed at the most recent PROC meeting are included in the General Manager's Report on Activities.

F. Office Feasibility Study Ad Hoc Committee – Ms. Layton reported the kick off meeting for Task 2 of the project took place on December 1, 2016. The next meeting is scheduled for January 18, 2017.

6. General Manager's Report on Activities:

B. Draft CY2017 Capital Improvement and Capital Outlay Budget – Mr. Moorrees stated this is the budget that was presented at the most recent PROC meeting with some minor revisions. The revisions made were to the Well 31 Biological Treatment by removing the 1.5 million dollars from the Depreciation and Obsolescence (D & O) Reserves as well as the Cucamonga Valley Water District (CVWD) intertie connection for \$120,000.

Previous correspondence from the State Water Resources Control Board (SWRCB) stated they would refer the Well 31 Biological Treatment project to the drinking water program through the state revolving fund. Mr. Moorrees, along with a representative from CVWD, spoke with SWRCB the previous week. Mr. Moorrees explained SAWCo is trying to clean up the nitrates in the basin. With ongoing septic system contributing to the nitrates, SWRCB does not believe any clean up would be achieved. SAWCo stated the problem would get worse by spreading to additional wells to the west. SWRCB is more focused on or concerned with saltwater intrusion projects. Using their logic about saltwater intrusion cleanup, Mr. Moorrees commented that their focus was in fact more on drinking water because they are trying to prevent saltwater from intruding into the groundwater aquifer but they will never completely clean the ocean of salt. SWRCB stated they would reevaluate the project.

If SAWCo is approved for the state revolving fund the rate is 1.6% for 30 years, however, if they utilized Citizens Business Bank at 4.5% the \$20,000 difference over 30 years might be an option. MIH will be providing a proposal at the next committee meeting for design, build, and operate the biological treatment plant. SAWCo would then need to purchase the treated water. Instead of transferring the 1.5 million dollars from D & O Reserves and with Board approval Mr. Moorrees suggests utilizing that money to cover any budget shortfall throughout the year.

Director Cable moved and Director Sundell seconded the general manager's recommendation to approve the proposed Revenue, Administration & Operations Budget for CY2017 with the required transfer of D & O funds to make up budget shortfall in Operations as needed up to \$1.324 million including any changes as appropriate. Motion carried.

A. Draft CY2017 Administration and Operations Budget – Mr. Moorrees advised this is the budget that was presented at the Board Budget Workshop. An email was sent to the City of Upland, the City of Ontario and MVWD advising SAWCo is eliminating the current water service agreement in light of updated water service agreements. The new water service agreements change from monthly water entitlements to yearly water entitlements for billing purposes. Mr. Moorrees will meet with all three agencies in January to discuss these agreements.

Revenues projected for CY2017 are \$3,291,196 with General Administrative Expenses projected at \$1,091,154 and Facilities and Operations and Maintenance Expenses at \$3,343,881. Without the

monies from DR funds there is a negative \$1,323,838 and with the DR funds there is still a deficit of \$1,143,838. A transfer of \$1,324,000 from D & O Reserves leaves a net income of \$162 without DR funds and \$180,162 with DR funds.

Mr. Moorrees recommended the Board approve eliminating the 1.5 million dollars for Well 31 Biological Treatment Pilot Plant and use it to transfer into operating as needed to cover any shortfall.

Director Bozar inquired about the completion of the water rates study. Mr. Moorrees replied he is trying to set up a meeting in January with the Board, staff, shareholders, and consultant to review all of the various rate options. He expects to present a water rate and fees proposal for approval to the Board in February with an implementation date of March 1, 2017.

Director Bozar moved and Director Cable seconded to approve the budget as presented. Motion carried.

C. Project Status Report –

- **Cucamonga Basin-Desilting Project at Crosswalls** – A check for \$89,400 was issued to the Regional Water Quality Control Board for the 401 permit.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items: Director Bozar inquired about the total amount of rain received with the most recent rainfall. Director Thomas replied 2.91 inches at the San Antonio Dam.

Mr. Moorrees advised that Water Facilities Authority has shut down production until spring. SAWCo is working with the City of Pomona to get water to the City of Upland.

Adjournment: Seeing no further business the meeting was adjourned at 5:23 p.m.

Future Meetings:

The next Board Meeting will be held on Tuesday, January 17, 2017 at 5:00 p.m.

Assistant Secretary
Charles Moorrees