

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, April 17, 2012

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, Ken Willis, Sue Sundell, Glenn Bozar and Bob Cable. Also in attendance were 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: Director Thomas announced there was a special presentation for outgoing director Brian Brandt. A personalized, framed stock certificate was given to Mr. Brandt for his three years of service on SAWCo's Board of Directors.

The Wildermuth Environmental, Inc. (WEI) presentation was deferred to the next Board meeting.

- 2. Additions-Deletions to the Agenda: Mr. Moorrees requested pulling Item 4B for discussion and deleting Item 6C due to the deferment of the presentation by WEI.

Director Elliott requested pulling Item 4D for discussion as well.

- 3. Shareholder-Public Testimony: None.

- 4. Consent Calendar Items:

- A. Approval of Board Meeting Minutes
Regular Meeting Minutes of March 13, 2012.
- B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Meeting minutes of January 25, 2012
- C. Administration and Finance Committee (AFC) Meeting Minutes
No meeting minutes to report.
- D. Financial Statement
Income Statement and Balance Sheet for February 29, 2012 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
 - Response the Holly Hills Association

Director Elliott moved and Director Sundell seconded to approve the Consent Calendar Items sans Item 4B and Item 4D. Motion carried.

Mr. Moorrees advised that on page three of the PROC minutes, Agenda Item 4B, there were some changes to the verbiage in section 7C with regards to the Chino Basin Watermaster and whether a notice of intent was issued. Those changes were indicated on the minutes.

Director Thomas moved and Director Elliott seconded to approve the changes made to Item 4B as presented. Motion carried.

Director Elliott questioned the financials and why they showed a deficit. Mr. Moorrees explained that water consumption increases in the summer time and the income/expense ratio will even out at that time. Director Elliott requested a comparison between previous financials and this year's financials. Mr. Moorrees agreed and offered to explain in more detail at the next AFC meeting.

Director Elliott moved and Director Thomas to receive and file Item 4D. Motion carried.

5. Board Committee – Delegate Report:

A. **PVPA Representative's Report** – Director Thomas reported that Golden State Water, who provides water for Claremont and LaVerne, has discovered that some of the shares they hold in PVPA are in their parent company's name and not in Golden State's name.

Director Thomas also reported that rainfall is below normal for this time of the year which in turn has made spreading totals for the year below normal.

B. **Six Basins Representative Report** – Mr. Moorrees reported that the committee reviewed the matrix that was presented at the Strategic Planning Workshop and they identified the categories of their needs, desires, and wants accordingly. Some issues were resolved with respect to finalizing the account for the year end with regards to water in storage. SAWCo was in jeopardy of losing water and will try to negotiate a price for the amount of water that would otherwise be lost.

C. **Chino Basin Representative Report** – Mr. Moorrees stated that he will be discussing the settlement agreement in the closed session of this meeting.

D. **Administration and Finance Committee (AFC) Chairman's Report** – No meeting to report.

E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – Mr. Moorrees stated that much of what was discussed at the PROC meeting is in the General Manager's Report. He stated that two items will be deferred until the next Board meeting. One of which is the sale of the casing in San Antonio Avenue that crosses the 10 Freeway. The other item deferred is the amendment to the Water Service Agreement.

6. General Manager's Report:

A. **Benson Avenue Right of Way** – Mr. Moorrees stated that SAWCo is drilling Well 25A at the corner of 17th Street and Benson Avenue. As part of the conditional use permit they are required to offer 20 feet of the easterly portion of the site for right of way and street improvements.

Mr. Moorrees recommended the Board approve the 20 foot Offer of Dedication for right of way on Benson Avenue as presented to, and as recommended by, the PROC.

Director Elliott moved and Director Thomas seconded to approve the 20 foot Offer of Dedication for right of way on Benson Avenue. Motion carried.

B. **Quitclaim blanket easement APN#1044-241-39 & 40** – Mr. Moorrees explained that a developer is requesting SAWCo quitclaim the blanket easement on this property. At one time this property was owned by the Water Company and later transferred over to the San Antonio Liquidated Trust (S.A.L.T.). When property was transferred to S.A.L.T. the Water Company reserved blanket easement rights to allow unrestricted use as needed in the future. Staff determined that there are no plans to utilize said easements for any pipeline or facilities in the future and therefore would have no issue with abandoning the easement as requested on this property.

Mr. Moorrees recommended the Board agree with the PROC recommendation to approve the developer's request to Quitclaim the Water Company's blanket easement on the property subject to legal review for correctness.

Director Willis moved and Director Sundell seconded to quitclaim the water company's blanket easement on the property subject to legal review for correctness. Motion carried.

C. **2012 State of the Cucamonga Basin** – This item was postponed to the next Board meeting.

D. **Res 6 – 1 MG Reservoir Interior & Exterior Coating** – Mr. Moorrees reported that SAWCo's one million gallon reservoir was budgeted for re-coating this year and budgeted \$250,000 as an expense for this project. Mr. Moorrees requested the project; 1) be re-classified as a Capital Expenditure from Capital Reserves on the premise that the coating will increase the life of the asset; and 2) appropriate an additional \$120,000 from Capital Reserves.

Mr. Moorrees also reported that upon engineering inspection and review, there was numerous safety improvements required to bring the reservoir up to current safety codes. The report identified poor design flaws that had caused twisting of interior rafters that require straightening. There were areas of severe corrosion that require additional sandblasting and fill; and additionally, there were levels of lead within the paint that require abatement and additional removal and handling. There are additional costs of \$120,000 to have this work completed.

Ms. Sundell inquired as to whether the facility could be replaced for half a million dollars. Mr. Moorrees responded that it would take a half a million dollars if not more to replace the reservoir entirely. He further explained that a steel reservoir would last indefinitely as long as it is maintained on a regular interval. Had this maintenance occurred 10 years ago, the corrosion would not have been so severe.

Director Sundell moved and Director Willis seconded to approve reclassifying the project as a Capital Expenditure from Capital Reserves and approve and additional \$120,000 from Capital Reserves to complete the project. Motion carried.

E. **Project Status Report** –

- **Well 25A-Drilling** – The pilot hole is complete. After drilling 920 feet they reached bedrock zone. Testing was done for water quality. The well will be profiled shortly. Proposals are currently being received. After profiling and receiving the report from the hydrogeologist the well will be developed should it be deemed a viable well.
- **Cucamonga Basin – Desilting Project at crosswalls** – The San Bernardino County Flood Control District (SBCFCD) has offered to take the project over. SBCFCD states they supersede the City of Upland and do not need a Conditional Use Permit. A bird study needs to be completed before work can start. SAWCo is waiting for word from Kevin Blakeslee from SBCFCD on how to proceed.
- **Water Rights Investigation – Activity** – United States Forest Service (USFS) has requested an extension on the request for information to May 2nd. Staff, special counsel and two of the Directors will be meeting with Michael Gagan from a Public Advocacy Firm to work on an alternative solution.
- **WFA Pipeline Connection** – Three different alternatives have been submitted to WFA for review. A matrix has been established as well as a timeline and will be presented at the next PROC meeting. WFA's Board meetings are held every other month so Mr. Moorrees will try to get a meeting scheduled with Terry Catlin prior to that.
- **Chino Basin Recharge Pipeline** – An application has been submitted to Los Angeles County Flood Control District and with the Army Corps of Engineers for comments. The process has already been initiated for the City of Upland permit.
- **Website Update** – SAWCo hopes to go live on April 20th. Mr. Moorrees requested biographies and pictures from the Board's newest directors for the website.
- **Document Imaging** – Phase II involving the scanning of maps is still in process.
- **Frankish Tunnel Pipeline** – Project is scheduled to begin in the third quarter of this year.

Director Elliott inquired about the tour of the facilities. Mr. Moorrees stated he had a tour scheduled but it was postponed due to weather. A tour with just the Directors was suggested.

7. Closed Session: The Board recessed to closed session at 5:40 p.m. to consider Paragraph 31 Litigation Settlement Agreement between the Appropriative Pool and the Overlying Non Agricultural Pool of the Chino Basin Watermaster (Section 54956.9 (c)).

Director John Gerardi entered the meeting at 5:50 p.m.

The Board reconvened from closed session at 5:58 p.m.

Director Thomas stated that after discussion with legal counsel, Tom McPeters, the Board decided unanimously to approve the settlement agreement for Chino Basin and authorize the chair to execute the agreement.

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

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 6:00 p.m.

Future Meetings:

- Board Meeting will be on Tuesday, May 15, 2012 at 5 p.m.

Assistant Secretary
Charles Moorrees