

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, May 15, 2012

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:01 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, John Gerardi, and Glenn Bozar. 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: None.
- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of April 17, 2012.
 - B. Approval of Organizational Meeting Minutes
Regular Meeting Minutes of April 3, 2012.
 - C. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report.
 - D. Administration and Finance Committee (AFC) Meeting Minutes
Meeting minutes of February 28, 2012.
 - E. Financial Statement
Income Statement and Balance Sheet for March 31, 2012 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
 - USO letter of appreciation for bottled water.

Director Elliott moved and Director Gerardi seconded to approve the Consent Calendar Items as presented. Motion carried.

- 5. Board Committee – Delegate Report:
 - A. **PVPA Representative's Report** – Director Thomas reported that the Senior Vice President of Finance and Chief Financial Officer for America States Water Association, Eva Tang, was appointed to the Board.
 - B. **Six Basins Representative Report** – Mr. Moorrees reported that an advisory committee meeting was held on April 25th. The Draft 2011 Annual Report was discussed. Operating Safe Yield remained the same. There is a two week period for which comments on the draft report can be made. These comments will be presented to the watermaster. The Strategic Planning schedule and milestones were also discussed. The next meeting is scheduled for May 23rd.

Director Bozar entered the meeting at 5:05 p.m.

- C. **Chino Basin Representative Report** – Mr. Moorrees stated that the Appropriative Pool met on May 10th. They recommended the Board approve the Fiscal Year Budget for 2012-2013. An increase of \$1.89 per acre foot (AF) from last year was needed yet some items in the budget that were brought to the attention of the watermaster may cause that figure to go down. The assessment is based on 50% Operating Safe Yield and 50% Production. It costs SAWCo more to operate its wells in this basin than the Company's base rate. Portions of the Recharge Master Plan were approved; there are draft sections that are being looked at for revision.

There is some continued resolution on the disposition of West Ventures and their abandonment of water rights. There is a struggle to see who gets the 15.65 AF they abandoned. It could be reallocated to the Overlying Non-Agriculture Committee or it could be reallocated to the City of Chino.

A settlement was approved by the watermaster in March but there are some wording issues with Paragraph 31.

- D. **Administration and Finance Committee (AFC) Chairman's Report** – Director Sundell reported that the AFC has met twice since the April Board meeting. On April 24th the Citizens Patrol Contribution, staggered terms for Directors, insurance renewal, depreciation reserves, sale of stored water in Six Basins, and the new position of General Laborer were all discussed.

A closed session meeting was held earlier in the day to discuss the General Manager's performance review. The review process began but additional information is needed to proceed. Goals and objectives for the position as well as an updating of the company Bylaws to reflect the general manager's position in the company are necessary to complete the review process.

- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No meeting to report. The next meeting is scheduled for May 29th but due to some scheduling conflicts, Mr. Moorrees asked that it be moved to May 30th. The chairman of the PROC, Director Willis, approved the change.

6. General Manager's Report:

- A. **Citizens Patrol Contribution** – Mr. Moorrees stated that this contribution comes about annually. Over the past four years SAWCo has contributed \$1,000 per year to the Citizens Patrol. The item was presented to the AFC. The AFC requested that SAWCo meet with the Citizens Patrol and provide them a list of things they would like them to look for or check on that they can check off. A \$1,000 contribution for 2012 was recommended by the AFC.

Mr. Moorrees recommended the Board approve a \$1,000 to the Citizens Patrol and to meet with the Citizens Patrol to provide a list of desired observations to include in their report.

Director Elliott moved and Director Willis seconded to approve a \$1,000 contribution to the Citizens Patrol as well as the scheduling of a meeting with the Citizens Patrol to provide a list of desired observations to include in their reports to SAWCo. Motion carried.

- B. **Negotiated Sale of Stored Water in Six Basins** – Mr. Moorrees explained that he was presenting a deviation from the usual practice of selling water from stored accounts above and beyond entitlements at the tiered rate of \$466/AF. SAWCo contributed too much groundwater into Six Basins last year and an additional 63.8 AF of water will be lost if they do not sell it. The City of Upland agreed to purchase this additional water at \$183/AF which is SAWCo's base rate. This was presented to the AFC who recommended that the Board ratify the sale.

Mr. Moorrees recommended the Board agree with the AFC recommendation to ratify the Manager's negotiated sale of 63.8 AF of water from Six Basins to the City of Upland at the Company's base rate of \$183/AF.

Director Sundell moved and Director Bozar seconded to ratify the Manager's negotiated sale of 63.8 AF of water from Six Basins to the City of Upland at the Company's base rate of \$183/AF. Motion carried.

- C. **Award the Re-Coating & Rehabilitation of Res 6 (1 MG Reservoir)** – Mr. Moorrees reported that this project was presented to the Board at the previous Board meeting to recommend an increase in the budget. The bid opening for the project was held earlier in the day. Mr. Moorrees did not bring the item to the committee first. He requested the item be approved by the Board so that work can start immediately.

Eight contractors were selected to bid; five contractors submitted bids. Advanced Industrial Services had the lowest bid at \$392,250. The budget approved by the Board at the previous Board meeting was \$370,000.

Mr. Moorrees recommended the Board award the project to Advanced Industrial Services in the amount of \$392,250 and appropriate an additional 10 percent contingency of \$39,225 for a total of \$431,475 from Capital Reserves. An additional \$61,475 is needed to complete the project.

Director Elliott questioned if SAWCo had any experience with Advanced Industrial Services. Mr. Moorrees replied that SAWCo has not worked with them but the engineer on the project stated they were excellent. SAWCo requires a list from the previous three years from the contractor with like projects they have done to use as references.

Director Gerardi moved and Director Bozar seconded to award the project to Advanced Industrial Services in the amount of \$392,250 and appropriate an additional 10 percent contingency of \$39,225 for a total of \$431,475 from Capital Reserves. Motion carried.

- D. **General Liability Insurance Renewal Proposal & Cyber Liability** – Mr. Moorrees stated this item was brought to the AFC. SAWCo received two proposals for insurance; one from American Alternative Insurance Company (AAIC) and the other from Arch Insurance Company. Because "water" is not a class that many insurance companies want to cover, limited proposals were received.

The AFC determined that utilizing Arch Insurance Company was in the company's best interest. Arch Insurance Company does not cover Cyber Liability, however, it can be provided separately for \$3,256 by Philadelphia Insurance. This is the first year SAWCo has considered cyber liability insurance.

Mr. Moorrees recommended the Board agree with the AFC recommendation to approve Arch Insurance Company proposal for General Liability at an annual premium of \$46,308 and accepts a separate proposal from Philadelphia Insurance for Cyber Liability as presented at an annual premium of \$3,256.

Director Thomas moved and Director Elliott seconded to approve Arch Insurance Company's proposal for General Liability Insurance at an annual premium of \$46,308 and Philadelphia Insurance's proposal for Cyber Liability as presented at an annual premium of \$3,256. Motion carried.

- E. **2012 Cucamonga State of the Basin Report** – Mr. Moorrees explained the need for a private session discussion with the Board prior to making a recommendation on the disposition of the 2012 Cucamonga State of the Basin Report.

Mr. Moorrees stated that SAWCo feels that the report provided by Wildermuth Environmental, Inc. (WEI) does not provide the information they need to move forward. As such, they do not wish to agree to the report as presented. Mr. Moorrees expressed a need to discuss with the Board, in closed session, several points about the report in light of potential litigation. Staff had legal counsel

draft a memorandum of points to discuss in closed session to see how SAWCo can move forward with respect to the report.

Director Thomas inquired as to whether WEI would present the report to the Board. Mr. Moorrees stated he didn't believe that would be necessary. Director Thomas felt it would be beneficial to the Board, especially the newer members, to have a presentation from WEI on the report. Mr. Moorrees stated he would get some availability dates from WEI and forward them on to the Board to put together a Board Workshop for the WEI presentation.

F. **Project Status Report –**

- **Well 25A-Drilling –** The casing has been installed. Staff was able to visit the Roscoe Moss facility where the casing was manufactured. Staff anticipates good production from this well. The well should be developed within the next two weeks followed by test pumping in June. A meeting with the electrical engineer will take place soon. Comments have been received from The San Bernardino County Building and Safety on the site improvements. A meeting with the City of Upland will be scheduled to go over those comments.
- **Cucamonga Basin – Desilting Project at crosswalls –** The San Bernardino County Flood Control District (SBCFCD) is getting a consultant to perform the bird study because the in house biologist is unable to perform it.
- **Forebay Improvements –** Still pending permits.
- **Water Rights Investigation – Activity –** Information requested from the United States Forest Service (USFS) has been received. An analysis from SAWCo's special counsel has been received and will be reviewed shortly. After review it will be given to Michael Gagan from a Public Advocacy Firm to work on a solution.
- **WFA Pipeline Connection –** Mr. Moorrees will be presenting a no capital cost concept to discuss with the PROC.
- **Chino Basin Recharge Pipeline –** Staff is waiting on a permit from the Army Corps of Engineers.
- **Website Update –** SAWCo new website is up and running.
- **Document Imaging –** Pending completion and training.

7. Closed Session: None.

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

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:35 p.m.

Future Meetings:

- PROC Meeting will be on Wednesday, May 30, 2012 at 3 p.m.
- Board Meeting will be on Tuesday, June 19, 2012 at 5 p.m.

Assistant Secretary
Charles Moorrees