

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, June 19, 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, Glenn Bozar, and Bob Cable. Also in attendance were SAWCo's General Manager Charles Moorrees, and Assistant Manager of Administration and Finance Teri Layton as well as Rosemary Hoerning with the City of Upland Public Works Department. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions & Presentations: On May 30, 2012, Assistant Manager of Administration and Finance, Teri Layton, was presented with an award to commemorate her 20 years of service to SAWCo.
- 2. Additions-Deletions to the Agenda: Mr. Moorrees added a Board Facilities Tour to the Agenda as Item 6F.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of May 15, 2012.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Regular Meeting Minutes of March 27, 2012.
 - C. Administration and Finance Committee (AFC) Meeting Minutes
Meeting minutes of April 24, 2012.
 - D. Financial Statement
Income Statement and Balance Sheet for April 30, 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
 - Scheu Family YMCA of Upland – Letter of appreciation for bottled water.
 - San Antonio Heights – Mt. Baldy Citizens on Patrol – Letter of appreciation for donation
 - Water Education Foundation – Appreciation for contribution.

Director Elliott moved and Director Sundell 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 Thompson Creek project was discussed. PVPA has grant money in the amount of \$200,000 to do a feasibility study for future uses, one being the expansion of the parking lot.
 - B. **Six Basins Representative Report** – Mr. Moorrees reported that there was a Board meeting on May 23rd. Two items were discussed at the meeting. The Annual Report for 2011. Wildermuth Environmental, Inc. (WEI) was approved at \$30,000 to prepare and apply for local grant application. The grant being applied for may award up to \$250,000.

Immediately following the Six Basins Board meeting was the Strategic Planning Workshop. They discussed ways to enhance supplies and maintain the basin. Another workshop is planned for June 27th.

- C. **Chino Basin Representative Report** – Mr. Moorrees stated that the Appropriative Pool met on June 14th. The City of Ontario submitted their transfer of entitlement 782 acre feet (AF) from SAWCo. A material physical injury analysis for California Steel Industries (CSI) was submitted by WEI. The Appropriative Pool members had some issues with the analysis and more data was needed before they would approve it. CSI has also applied for a storage account in Chino Basin. A closed session followed.
- D. **Administration and Finance Committee (AFC) Chairman’s Report** – Director Sundell reported that the AFC discussed three of the items that are on the agenda under the General Manager’s Report at their last meeting. They also had a closed session on the general manager’s review which will be discussed in the Closed Session of this meeting.
- E. **Planning, Resources, & Operations Committee (PROC) Chairman’s Report** – Mr. Moorrees reported on the status of the sale of the pipeline casing to the City of Ontario as well as amending their water service agreement to include leased shares and wet water delivery. The manager for the City of Ontario wants to wait until the Fall to submit the items to the city council for approval.

6. General Manager’s Report:

- A. **Record Management Policy** – Mr. Moorrees stated that in 2007 SAWCo hired ITIQ Solutions, a consultant, to establish a policy for the proper management of its office files from creation to destruction. The policy presented by the consultant was not custom tailored to the water company as desired.

Information in the policy was reviewed and revised slightly and customized by management. The policy was presented to the AFC for review and feedback and recommendation for the Board to approve the final draft as attached to this report.

Director Elliott moved and Director Cable seconded to approve the Record Management Policy as recommended by the AFC and as presented. Motion carried.

- B. **Depreciation Reserve** – Mr. Moorrees reported on the spreadsheet presented to the Board with regard to asset renewal over a 25 year period. It identifies all of SAWCo assets and their depreciation schedule. Inflation rate was included in the cost of replacing the assets. SAWCo will review this schedule on an annual basis to determine which assets will be renewed, rehabbed, or replaced. The question now is how does SAWCo fund the renewal, rehabilitation, or replacement of the assets? Staff suggested developing a Depreciation and Obsolescence Reserve. SAWCo currently has several different reserve funds and suggested eliminating the established Master Plan Reserves, Emergency Reserves, Drought Reserves, and Operation Reserves and combining them all into one; Depreciation and Obsolescence Reserve fund.

A positive balance at the end of the year would be deposited into Depreciation Reserves to fund annual depreciation and expenditures. A summary of assets were included in the packet together with Water System Master Plan projects. It is the intent that the Depreciation Reserve funds ensure that by the time the asset stops functioning, the Water Company has collected sufficient necessary funds to replace or rehabilitate the asset without suffering losses.

Mr. Moorrees recommended the Board 1) approves eliminating and combining existing established reserves into a single Depreciation and Obsolescence Reserve, and 2) adopt “Draft” Resolution No. 2012-07-01 Depreciation and Obsolescence Reserve as recommended by the AFC Committee.

Director Sundell inquired as to whether, when reviewing this fund annually, the cost of inflation would be factored in. Mr. Moorrees replied that it would.

Director Willis moved and Director Elliott seconded to approve eliminating and combining existing established reserves into a single Depreciation and Obsolescence Reserve, and adopt "Draft" Resolution No. 2012-07-01 Depreciation and Obsolescence Reserve as recommended by the AFC Committee. Motion carried.

- C. **Workers Comp Insurance** – Mr. Moorrees reported that staff did not receive all of the quotes until earlier in the day. Oak Rivers' Insurance quote came in at \$31,669, Insurance Company of the West (ICW) quote was for \$24,400 and State Comp's quote is expected to be \$30,000.

Mr. Moorrees recommended the Board approve retaining ICW for Worker's Compensation Insurance in the amount of \$24,400.

Director Thomas commented that he has worked with ICW and stated that they are an outstanding company.

Director Thomas moved and Director Willis seconded to utilize ICW for worker's compensation insurance in the amount of \$24,400. Motion carried.

- D. **Commodity Rate Adjustment** – Mr. Moorrees stated that staff prepared a rate study showing that the Water Company's commodity rate revenues do not cover annual expenses. Positive balance at the end of the year financials are the results of the sale of stored water that generally picks up the negative variance prior to transfers to Capital Reserves. Additionally, depreciation is shown on financials as a non cash expense but there is no monies set aside to fund accumulated depreciation.

During discussions with the AFC it was recommended that SAWCo adjust their rates in three years; each year adjusting the base rate and the supplemental rate by three cents each. This would provide SAWCo with a positive balance and would not rely on the supplemental rate subsidizing the base rate. It will also provide a positive balance that can be utilized to fund depreciating assets.

Mr. Moorrees recommended the Board approve a public hearing for the following month for a commodity rate adjustment of an additional three cents each for the next three years for both base rate and the supplemental rate for years 2012, 2013, 2014.

Director Sundell stated that this will help SAWCo avoid having to possibly establish assessments in the future.

Director Thomas commented that the idea from Director Cable to make the rate adjustment gradual over a three year period was in the best interest of the shareholders.

Director Sundell moved and Director Bozar seconded to approve a public hearing for the following month for a commodity rate adjustment of an additional three cents each for the next three years for both the base rate and the supplemental rate. Motion carried.

- E. **Project Status Report** –

- **Well 25A-Drilling** – Test pumping took place during the day. Other various testing on the well will be taking place within the next couple of weeks. Final comments for the Site Improvement Plans were submitted to the City of Upland today.
- **Cucamonga Basin – Desilting Project at crosswalls** – The San Bernardino County Flood Control District (SBCFCD) and the City of Upland seem to be in agreement with how to handle the project administratively. A meeting is scheduled with SBCFCD and the Planning Committee for Thursday, June 21st.

- **Forebay Improvements** – Submitted the final set of plans for eight permits. Staff requested they receive the permits before the next eclipse.
- **Water Rights Investigation – Activity** – SAWCo's Public Advocacy Firm's meeting with the State Water Resources Control Board (SWRCB) has been postponed. Once rescheduled, staff will report on the findings.
- **Cucamonga Basin Management Plan** – A Board Workshop took place on June 12th. There was a recommendation to have a joint workshop with Cucamonga Valley Water District (CVWD) however, staff feels it might be better to have two representatives from CVWD and two representatives from SAWCo meet instead.
- **Res 6 – Interior/Exterior Recoating** – Work has begun on removing the interior coating. It is projected to be completed by the end of August or early September.
- **WFA Pipeline Connection** – An alternative means to supply water to WFA was presented to the PROC. Terry Catlin will relay the information to WFA's Technical Advisory Committee. The City of Upland has some conditions for this alternative. A draft agreement is being reviewed by legal counsel.
- **Chino Basin Recharge Pipeline** – Staff is waiting on a permit from the Army Corps of Engineers.
- **Document Imaging** – Pending training.
- **Frankish Tunnel Pipeline** – Pending a Professional Services Agreement with the consulting engineer.

F. **Board Facilities Tour** – Mr. Moorrees stated that the majority of the directors replied that they are all available for a Facilities Tour on Friday, July 27th. It was agreed that the tour would take place on this date at 8:00 a.m.

7. Closed Session: The Board moved to a closed session at 5:30 p.m. to discuss the General Manager's Performance Review [subdivision 9b) of Section 54957, CGC].

At 5:48 p.m. the Board reconvened from closed session. The Board agreed to review the general manager's goals and objectives with him a few times per year. They also agreed to a three year extension on Mr. Moorrees' contract with a merit increase of \$9,000 a year.

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

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:50 p.m.

Future Meetings:

- The next regular Board Meeting will be on Tuesday, July 17, 2012 at 5 p.m.

Assistant Secretary
Charles Moorrees