

SAN ANTONIO WATER COMPANY

MINUTES OF THE SAN ANTONIO WATER COMPANY

Tuesday, July 17, 2012

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:05 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, 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: Mr. Moorrees pointed out the flyer on the dais with regard to the 6th Annual San Bernardino County Water Conference and asked that any Director interested in attending contact the office.

Also, a Board Tour is scheduled for Friday, July 27th. An agenda will be posted and a packet will be given to attendees.

The San Antonio Watershed Clean up day was held on July 7th. Pictures of the event were shown.

- 2. Additions-Deletions to the Agenda: Mr. Moorrees made a correction to Item 4B. The minutes show Teri Layton attending the meeting, however, it was Tommy Hudspeth who was in attendance.

- 3. Shareholder-Public Testimony: None.

4. Consent Calendar Items:

- A. Approval of Board Meeting Minutes
Regular Meeting Minutes of June 19, 2012.
- B. Approval of the Cucamonga Basin Workshop Meeting Minutes
Special workshop meeting on the 2012 State of the Cucamonga Basin report
- C. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to approve.
- D. Administration and Finance Committee (AFC) Meeting Minutes
No meeting minutes to approve.
- E. Financial Statement
Income Statement and Balance Sheet for May 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
 - Special Counsel's factual response to USFS relevant to water dispute 6-26-12.

Director Elliott moved and Director Gerardi seconded to approve the Consent Calendar Items with the correction to Item 4B. Motion carried.

5. Board Committee – Delegate Report:

- A. **PVPA Representative's Report** – Director Thomas reported that the berm construction is 99% complete. PVPA's legal counsel reviewed all of their various certificates of insurance due to the fact that other entities utilize their property for spreading. Everything was found to be in order.

- B. **Six Basins Representative Report** – Mr. Moorrees reported that there was an Advisory Committee meeting on June 27th. The editing of the strategic plan mission and goals was completed. The next step is to identify any impediments in achieving those goals. A presentation was given by Six Basins watermaster staff on basin hydrology. The next board meeting is scheduled for July 25th.

Director Elliott inquired as to whether a private consultant was hired to work on the strategic plan or if it was developed in-house. Mr. Moorrees replied that the plan was developed in-house by watermaster staff, Wildermuth Environmental, Inc. (WEI).

- C. **Chino Basin Representative Report** – Mr. Moorrees stated that Ms. Layton attended the July 12th Appropriative Pool meeting. There was discussion on having legal counsel only attend the meetings when requested to save in legal fees. The Appropriative Pool meeting scheduled for August was cancelled. The Advisory Committee will meet on July 18th. A closed session was held to discuss the California Steel Industries (CSI) settlement agreement. The selection of the new Chief Executive Officer (CEO) is in process with interviews taking place at the end of the week.

Director Thomas reported that he received word from Director Bob Cable that he is in a meeting in San Bernardino and will not be attending the Board meeting.

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

- E. **Planning, Resources, & Operations Committee (PROC) Chairman's Report** – No meeting to report.

6. General Manager's Report:

A. **Project Status Report** –

- **Well 25A-Drilling** – Test pumping is complete. A meeting was held with the hydrogeologist, electrician, and engineer to determine the equipment needed to run the well. The plan is to have the well operational by September.
- **Cucamonga Basin – Desilting Project at crosswalls** – It was determined that the City of Upland will handle this project administratively. Pending site plan development San Bernardino County has agreed to allow SAWCo to work beyond the October 15th cut off.
- **Forebay Improvements** – Staff submitted the final set of plans for eight permits.
- **Water Rights Investigation – Activity** – Included in the Board Packet is a response from special counsel submitted to the United States Forest Service (USFS) which should prompt them to move forward on resolving this issue.
- **Cucamonga Basin Management Plan** – A Board Workshop took place on June 12th. The term sheet that was requested from WEI has been received and will be presented at the next PROC meeting.
- **Res 6 – Interior/Exterior Recoating** – All structural improvements have been completed. Sand blasting and coating will begin this week.
- **WFA Pipeline Connection** – The “in lieu of” concept that was presented to the PROC was recently presented to the WFA Technical Advisory Committee and is still waiting approval. SAWCo is still looking for a physical connection. Monte Vista Water District contacted SAWCo with another option in which water can be delivered to them.
- **Chino Basin Recharge Pipeline** – Staff submitted plans to the City of Upland for review.

Director Elliott suggested making a timeline of SAWCo's efforts with regards to water rights and incorporating it in the newsletter as well as the local newspaper.

Director Bozar pointed out that in the letter (Item K) to USFS, it was stated that information from USFS was left out and inquired as to whether any of the information was materially significant. Mr. Moorrees replied that the first request was deficient in documentation and SAWCo will make another request to the USFS for more information.

7. Public Hearing: Director Thomas opened the Public Hearing.

A. Commodity Rate Adjustment – PowerPoint Presentation

Mr. Moorrees gave a PowerPoint Presentation on the proposed Commodity Rate Adjustment.

1. Effective September 1, 2012: The entitlement rate will increase from \$0.42 per hundred cubic foot (hcf) to \$0.45/hcf and the supplemental rate will increase from \$1.07/hcf to \$1.10/hcf.
2. Effective September 1, 2013: The entitlement rate will increase from \$0.45/hcf to \$0.48/hcf and the supplemental rate will increase from \$1.10/hcf to \$1.13/hcf.
3. Effective September 1, 2014: The entitlement rate will increase from \$0.48/hcf to \$0.51/hcf and the supplemental rate will increase from \$1.13/hcf to \$1.16/hcf.

Pete Cherbak inquired as to whether meter charges were going to change. Mr. Moorrees replied that meter charges cover fixed expenses and are separate from the commodity rate; however, do not cover all expenses at this time.

Mr. Cherbak also questioned how the funds will be invested for future use. Mr. Moorrees stated that the Board approved consolidating all reserve funds into one Depreciation and Obsolescence Reserve fund. The funds are to be used every year for capital improvements and will be put into SAWCo's LAIF (Local Agency Investment Fund) account until needed.

Mr. Cherbak lastly inquired about inactive shares and if the water allocated to those shares becomes surplus. Mr. Moorrees replied that there is no such thing as excess water. The inactive shares allow for other shareholders to use more than their entitlement. Future projects may include the expansion of SAWCo's facilities in the San Antonio Canyon to capture more water which may in turn allow for an increase in entitlement.

There being no more comments, Director Thomas closed the Public Hearing.

Mr. Moorrees recommended the Board adopt the new three year rate plan as presented effective September 1, 2012.

Director Gerardi remarked that as a new director he was pleased that SAWCo is proactive in preserving, protecting, and enhancing the facilities they have for the benefit of their shareholders.

Director Sundell stated she felt the plan presented is a good plan that may have to be adjusted as new variables come into play but it's a good starting point.

Director Elliott moved and Director Bozar seconded to adopt the three year rate adjustment plan as presented. Motion carried.

Director Thomas commented that even at the end rate of \$0.51 most nearby agencies are closer to a \$2.00 per unit rate.

The Directors thanked staff for their work on this rate study.

8. Director's Comments and Future Agenda Items: Director Bozar inquired as to whether the Board Packets could be sent to the Board via mail rather than electronically. Director Thomas offered that the Directors could view them electronically and staff could print copies for the actual meetings; this would save the company postage fees. Mr. Moorrees replied that staff would begin printing out the packets and mailing them to the Directors again.

Mr. Moorrees advised the Board that prior to the August Board Meeting, County Supervisor Janice Rutherford will be available for a meet and greet. Also, Mr. Moorrees again reminded the Board of the Board Tour taking place on Friday, July 27th.

Adjournment: There being no further business, Director Thomas declared the meeting adjourned at 5:45 p.m.

Future Meetings:

- The next regular Board Meeting will be on Tuesday, August 21, 2012 at 5 p.m.

Assistant Secretary
Charles Moorrees