

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, August 17, 2010

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:02 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Dr. Fred Gattas, Will Elliott, Ken Willis, Tom Thomas, and Robb Quincey. Also in attendance were SAWCo's General Manager Charles Moorrees, and Assistant Manager of Administration and Finance Teri Layton. Director Thomas presided.

- Call to Order
- Salute to the Flag

Director Brian Brandt entered at 5:01 p.m.

1. Recognitions & Presentations: Mr. Moorrees pointed out the flier for the upcoming Chino Basin Watermaster Strategic Planning Conference taking place October 4th and 5th at the Frontier Project in Rancho Cucamonga. SAWCo will make the arrangements should any of the directors wish to attend. Mr. Thomas asked that staff send an e-mail to the Board to see if they were interested and available to attend.

Mr. Moorrees also mentioned the fall conference held in Indian Wells for the Association of California Water Agencies (ACWA) and would e-mail that information to the Board as well.

2. Additions-Deletions to the Agenda: Mr. Moorrees directed the Board to the Assessor's Parcel Map included for Item 6A as well as copies of the letters that were sent to Ms. Donahue and Mrs. Fairbanks with respect to the respective properties.
3. Shareholder-Public Testimony: Mr. Thomas suggested that any individuals that were in attendance to speak about Item 6A to hold off until that portion of the agenda is reached. If there were any other issues that they wanted to bring to the Board they would listen at this time. Those in attendance did not wish to speak at this time.

4. Consent Calendar Items:

- A. Approval of Board Meeting Minutes
Regular Meeting Minutes of July 20, 2010.
- B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report.
- C. Administration and Finance Committee (AFC) Meeting Minutes
Receive & File minutes of May 25, 2010.
- D. Financial Statement
Income Statement and Balance Sheet for June 2010 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 ongoing 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
 - Chino Basin Watermaster-Strategic Planning Conference in October
 - ACWA Conference/Indian Wells-November 30

Mr. Elliott moved and Mr. Willis seconded to approve the Consent Calendar Items as presented. Motion carried.

5. Board Committee – Delegate Report:

- A. **PVPA Representative's Report** – Mr. Thomas stated that at the last PVPA board meeting the auditor was present and the board approved the first annual audit in quite some time.
- B. **Six Basins Representative Report** – Mr. Moorrees deferred the report to Ms. Layton who attended the most recent Six Basins meeting. Ms. Layton reported that the policy issues regarding transfers of production rights were discussed and it was agreed that the classification of water would remain the same when transferring to another party. It was agreed that the Master Plan be sent back to the Engineering and Technical Committee to move the process forward.

Metropolitan Water District (MWD) announced that there is available imported water supply and are looking for groundwater storage. Three Valleys Municipal Water District (TVMWD) has been approved to store up to 750 acre feet (AF) of water this year keeping them under their total limit in storage of 3500 AF.

At the most recent Watermaster board meeting a letter from TVMWD seeking grant money indicating land owned by PVPA as part of the concept was discussed. A response letter from TVMWD general manager Rick Hansen stated it may be the right time for TVMWD to step down as Watermaster. At the next meeting TVMWD's contract, set to expire in 2011, will be discussed.

The next committee meeting will be held August 25, 2010 from 2:00 p.m. to 4:00 p.m. No action will be taken at the meeting.

- C. **Administration and Finance Committee (AFC) Chairman's Report** – Mr. Willis reported that much of the AFC meeting involved Item 6A on the current Agenda. A report on the Stock Auction 2010 was given by Ms. Layton who reported sending letters to inactive shareholders with outstanding bills. In addition, SAWCo is looking at having a student internship/volunteer program where staff can mentor people interested in careers in the water field. Also discussed was the possibility of using social media as a communication device with shareholders. SAWCo's information technology provider will provide a brief presentation at the next meeting on how to set up and manage a social media site. Documentation and historical records for future reference was also discussed.
- D. **Planning, Resources, and Operations Committee (PROC) Chairman's Report** – No meeting was held in July.

6. Administrative & Financial Issues:

- A. **Mr. Ridgeway and Mr. Slater [Mt. Baldy]-Use of Company Water Rights** - Mr. Moorrees reported that the purpose of this item is to resolve the issue between Mr. Ridgeway and Mr. Slater and SAWCo with respect to SAWCo's water rights claim. In SAWCo's 2009 water rights investigation they discovered two residential structures that enjoy taking water from the stream but have no legal right to do so. Those structures are highlighted on the parcel map as Lot 4 and Lot 2 for Mr. Ridgeway and Mr. Slater respectively. These individuals currently have a permit from the United States Forest Service to convey water from the spring that contributes to that stream. SAWCo met with both parties and requested the documentation they had that demonstrated their right to take water from the San Antonio Creek. These documents were submitted and reviewed by SAWCo staff and legal counsel and was determined to provide no basis for their water diversion. The parties asserted that they had the right to obtain a share of stock and service from San Antonio Canyon Mutual Services (SACMS). SACMS had denied that claim. SAWCo Board approved a license agreement in November 2009 that allows both parties to continue limited use without implying any shareholding with SAWCo. A water allowance that is equivalent to the amount of one quarter share was offered. Any usage beyond that would be charged at the tiered rate. It was emphasized that this was not a commodity rate but rather a continuing suit for the use of SAWCo's right. SAWCo staff discovered two letters, one from the 1930's and the other from 1942 written to Miss Donahue and Mrs. Fairbanks respectively. Copies of the letters were provided to the Board. These letters provided allowance of 1800 gallons per month water use until all the lots of land in that Shaw Deed were sold. At that time, installation of water improvements and a share of SACMS would be issued. These letters were not agreements and were offered solely to the property owners at that time with no successors or assigns. It seemed unlikely that the Water Company could make such an offer considering that in 1930, SAWCo made an indenture that created the SACMS to provide water for the cabins. SAWCo offering shares for SACMS would not have been possible. The license agreement that SAWCo currently offered Mr. Ridgeway and Mr. Slater provides for 578 gallons per day which equates to ¼ share entitlement that shareholders currently enjoy. Mr. Moorrees recommended that the Board agree with the advisory committee and the manager's recommendation to require the property owners to either obtain a shareholding from SACMS and get service from them or enter into SAWCo's license agreement for continued water use and conditionally prescribe a suitable timeframe requiring the agreement to be executed and ultimately authorize pursuit of legal action if necessary for compliance.

Director Mark Hill entered at 5:13 p.m.

Mr. Willis clarified the options presented which were for the two property owners to obtain SACMS stock, purchase a ¼ share of SAWCo water stock, or sign the SAWCo license agreement. If none of the previously mentioned options are followed through with then SAWCo will take legal action.

Mr. Ridgeway spoke at the podium and stated that the current license agreement appears to be "bare boned" with respect to the terms and conditions and stated that he has a new attorney handling the matter. Mr. Ridgeway stated that he has spoken with individuals that attended the U.S. Forest Service meeting with respect to the water rights issue. He claims the U.S. Forest Service told him that they have a special use permit and that is all he needs and SAWCo has no diversions. He stated that he is trying to solve the matter in a way that is good for the people in Mt. Baldy, SAWCo, and the property owners involved.

Mr. Thomas stated that SAWCo and the property owners have been working on this issue since the previous November. The license agreement was probably the least expensive solution. If Mr. Ridgeway and Mr. Slater had shares in SACMS it would probably cost them more. Mr. Thomas expressed his desire to draw the matter to a close relatively soon.

Mr. Ken McNeil questioned what rate Mr. Ridgeway and Mr. Slater would be paying. Mr. Thomas replied they would be paying the \$1.07 tier rate. Mr. McNeil questioned why the higher rate if they are shareholders. Mr. Thomas replied that they were not shareholders. Mr. McNeil questioned whether they would be paying a meter charge. Mr. Moorrees answered that they would be paying a meter charge and if they are shareholders they would be paying the base rate if they stay within their entitlement. Mr. Moorrees clarified that the license agreement would allow the property owners to use the equivalent of ¼ share allotment but would pay for anything above and beyond that. Mr. McNeil questioned that they were allowed the amount of ¼ share allotment without paying for it. He was concerned that a shareholder who uses ¼ share of water has to pay for it and these two property owners do not.

Mr. McNeil also brought up concern about the current meter charges and how the amounts to charge were decided.

Dr. Gattas stated that there will be a meter charge. Anyone that has a meter will be charged for it.

Mr. Willis moved and Dr. Gattas seconded to approve the advisory committee's and staff's recommendation.

Mr. Thomas suggested that since Mr. Ridgeway had retained a new lawyer that, before SAWCo moves forward with legal action, they should put taking legal action to vote at the next Board meeting. However, he suggested passing the motion that gives staff the authority to move forward in that direction.

Mr. Moorrees suggested that Mr. Ridgeway's attorney contact SAWCo's legal counsel to discuss any issues with the license agreement.

Dr. Gattas asked Mr. Ridgeway if he could consult with his attorney and have a definitive answer by the next board meeting. Mr. Ridgeway stated he thought so.

Motion carried.

- B. **Award Bid for 26th Street Waterline Installation** – Mr. Moorrees reported that normally the bids would be presented at the PROC meeting prior to going to the Board but due to the timing of the committee meetings the project would've been delayed as much as one and a half months. Selective bids were sought by C.P. Construction, Norstar Plumbing, E & R Construction, Trautwein Construction, and Winston Excavating. All but Winston Excavating submitted bids. C.P. Construction is the low bidder at \$182,406.50 with a budget of \$190,000.

Mr. Moorrees asked that the Board authorize the award of the contract to C.P. Construction in the amount of \$182,406.50 with a 10% construction contingency of \$18,241 for a total of \$200,647.50 from Capital Reserves.

Mr. Hill moved and Mr. Brandt seconded to award the bid to C.P. Construction. Motion carried.

- C. **Cucamonga Basin Management Plan** – Mr. Moorrees reported that SAWCo, Cucamonga Valley Water District (CVWD) and West End Operating Company intend to modernize the Cucamonga Basin Judgment but felt it necessary to prepare a study to better understand the basin before moving forward with the Judgment amendment. An agreement was signed to have Wildermuth Environmental, Inc. (WEI) prepare a study of the Cucamonga Basin with the Water Company paying for 35% of the cost. WEI's first proposal to do the work was in the amount of \$263,188 with SAWCo's share of the cost at \$92,116. Further discussion resulted in splitting the contract into two phases. Phase I covered cost for data collection: \$140,000 and Phase II will analyze the data with recommendations and conclusions: \$123,000. Phase I has been completed with SAWCo's pro-rated share for the cost at \$49,000. SAWCo has paid \$28,887 to date. Phase II should begin this month and will include the computation of total and operating storage, change in storage over time, developed yield, an estimate safe yield and the water quality changes over time. Both Phases will be summarized in a State of Basin (SOB) report which will allow each party to pick apart the proposal and provide a clearer definition of management goals.

Phase II of this work requires an additional budget appropriation to cover SAWCo's share of the \$123,000 cost which equates to \$43,050 [35%]. Mr. Moorrees recommended the Board appropriate funds to cover SAWCo's additional cost to develop Phase II of the management plan and budget \$45,000 from Capital Reserves.

Dr. Gattas moved and Mr. Thomas seconded to approve the managers recommendation.

Mr. Quincey suggested that SAWCo monitor this study by WEI very cautiously. Chino Basin studies by WEI have gone into the multi-million dollar range.

Mr. Thomas commented that this study goes back to the Cucamonga Judgment of 1958. It is only a three party judgment so it should not be at the magnitude that the Chino Basin study has been.

Motion carried.

D. **Project Status Report –**

- **Booster Line Relocation-1,000 LF of 14”** – The draft design was received today and will be reviewed. Easements with Upland Hills Golf Course are being developed.
- **26th Street Pipeline-1,840 LF of 12” Waterline** – Item 6B.
- **Tunnel Pipeline Improvement** – Divided into two parts. A connection will be made to the Tunnel discharge. C.P. Construction has already given SAWCo a proposal. The connection is about 300 feet. Grading of the site will begin shortly.
- **Chronological History Documentation** – The data collection is complete and currently writing history.
- **Cucamonga Basin-Desilting Project at Crosswalls** – San Bernardino County filed a notice of exemption which allowed SAWCo to submit a permit for the Department of Fish and Game. Santa Ana Regional Water Quality Control Board has been contacted about monitoring the project. No response has been received to date. A local contractor has offered to do the work for no charge if he can utilize the material for his landscaping business.
- **Cucamonga Basin Management Plan** – Item 6C.

7. Closed Session – None

8. Director’s Comments and Future Agenda Items – None.

Adjournment: Mr. Thomas announced that since there was no further business, the meeting was declared adjourned at 5:43 p.m.

Assistant Secretary
Charles Moorrees