

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, September 21, 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, Robb Quincey, Brian Brandt, and Mark Hill. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, City of Upland Public Works Director Anthony La, Paul Ridgeway, and Karen Sked. Director Thomas presided.

- Call to Order
 - Salute to the Flag
1. Recognitions & Presentations: Mr. Moorrees reported that staff was directed to look into a clean-up day in the Cucamonga Creek. SAWCo previously met with Cucamonga Valley Water District (CVWD) to try and organize a clean-up day only to find that the San Bernardino National Forest already has one scheduled for October 2, 2010. It will include the area by CVWD's treatment plant and the area where the road crosses further up north. There are already many volunteers working. An additional clean-up day is scheduled for Lytle Creek on September 28, 2010. These clean-up days are done on an annual basis so there is no need for SAWCo to initiate one. SAWCo asked the San Bernardino County if they would like to coordinate future events with the water company and will be inviting them to the San Antonio Watershed Committee meetings.
 2. Additions-Deletions to the Agenda: None.
 3. Shareholder-Public Testimony: Mr. Paul Ridgeway addressed the Board with regard to the July 2010 Board Meeting in which he spoke with regard to the letters issued to Fairbanks and Donahue. He stated that he was misquoted and the point he wanted to make was that he asked SAWCo to do what they said they were going to do in the letters which is issue the shares.

Mr. Ridgeway also commented on the Mark W. Shaw Deed stating that there seems to be some confusion. He read from page one, item 4 of a document dated June 23, 1931 that stated the water company had conveyed certain lots in said subdivisions and remains the owner of lots not conveyed. In the deeds for the conveyance, said lots so conveyed it was stated that lots were conveyed with the same or similar reservations and upon and subject to the same or similar easements, rights of way, conditions and restrictions as those enumerated and set forth in a certain deed from the water company to Mark W. Shaw. Mr. Ridgeway stated that Mr. Shaw was the first one that bought a lot in any of the Mt. Baldy subdivisions and recorded in the office of the County Recorder. In conveying said lots as aforesaid the water company reserved to itself among other things, all waters in or upon said lots and all water rights in, under, or flowing over the same or connected with or appurtenant there to any part thereof including all riparian rights and in unto the San Antonio Creek or any tributary thereof. In making said reservations in this paragraph above the referred to the water company intended to convey to the mutual water company or mutual service company the water rights conveyed hereby so as to secure said lots through the agency of a mutual water company the right or opportunity of securing water for domestic use the waters herein conveyed. Mr. Ridgeway stated that the bottom line is that the Shaw Deed means that you do have water through the mutual service company so it's incorporated by reference on all lots sold unless somehow it got stripped out somewhere and if you've got the Shaw Deed referenced on your lot you're part of the mutual service company. Mr. Ridgeway pointed out that since 2001 he has had three different attorneys look at his lots in three different places. He stated that all three attorneys came to the same conclusion, that his lots are part of the mutual services company, and that the Shaw Deed is on the lots.

Mr. Thomas commented that if that was so then his issue is with the mutual services company, not with SAWCo.

Mr. Ridgeway also spoke about the license agreement he and Mr. Blake Slater are being offered. He stated that the license agreement is revocable and some of the terms in the agreement are at the sole discretion of SAWCo. Mr. Ridgeway had been questioned as to what authority can SAWCo issue a license agreement for use in Mt. Baldy. Mr. Ridgeway is being told that SAWCo has no diversions there and there is no authority.

The Board thanked Mr. Ridgeway for his comments.

4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of August 17, 2010.
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
Receive & File minutes of June 30, 2010.
 - C. Administration and Finance Committee (AFC) Meeting Minutes

No meeting minutes to report.

- D. **Financial Statement**
Income Statement and Balance Sheet for July 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**
 - Letter to Ridgeway – Disallowance of Credit
 - Letter to Slater – Disallowance of Credit

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

5. Board Committee – Delegate Report:

- A. **PVPA Representative's Report** – Mr. Thomas reported that a meeting was held Wednesday, September 1st. One of the notable issues discussed was the Army Corps of Engineers San Antonio Dam Feasibility Study. Pomona Valley Protective Association (PVPA) feels that their involvement through Six Basins Watermaster and in the interest of all water producers in the area that it would make sense to work with the Army Corps to try and increase the capacity behind the dam. Flood control issues and the timing of water for spreading in the San Antonio Spreading Grounds would be helped. The PVPA will be advancing that through Six Basins to hopefully be able to hold more water for a longer period of time behind the dam. Mr. Thomas also mentioned that part of the land owned by the PVPA is about 100 acres over at Thompson Creek at the intersection of Mills and Pimello as well as the dam below the Claremont Hills Wilderness Park. The League of Women Voters received a grant to plan for the future of the spreading grounds. A follow up meeting with the League of Women Voters consultant is being held on Saturday, September 28th in the Hughes Community Center in Claremont from 10:30 a.m. to noon.
- B. **Six Basins Representative Report** – Mr. Moorrees stated that the following day is the next watermaster meeting for Six Basins. The operating safe yield is on the agenda and it is being recommended to stay the same amount at 17,500 acre feet for 2011 and 18,500 acre feet for 2012. Also, it is being recommended that Six Basins watermaster staff generate a request for proposal (RFP) for anyone interested in handling the administration for Six Basins including Three Valleys Municipal Water District (TVMWD). A list of the entities that are interested is being generated for the RFP to be sent to. SAWCo will recommend three entities at this time. Mr. Moorrees also reported that the designation of SAWCo's spread water is recommended to be classified as native. Currently it is classified as import water.

Mr. Thomas clarified that when water is lost from Six Basins, imported water is lost first. By being classified as native, SAWCo will be less likely to lose water when it spills from Six Basins into Chino Basin. Mr. Thomas also stated that one of the reasons Six Basins is looking at having a different administrator is because TVMWD, who historically has only delivered imported water, now has water rights from the City of La Verne which will make them a producer and will not allow them to continue as administrator.

- C. **Administration and Finance Committee (AFC) Chairman's Report** – No meeting was held in August.
- D. **Planning, Resources, and Operations Committee (PROC) Chairman's Report** – Mr. Quincey stated that what was discussed at the PROC has been included on the agenda for this meeting.

6. Administrative & Financial Issues:

- A. **Monte Vista Water District-Service Agreement** – Mr. Moorrees reported that Monte Vista Water District (MVWD) is a current shareholder with no water connections to SAWCo's facilities. SAWCo has been leasing their water rights out of Chino Basin to MVWD. MVWD has requested to enter into a service agreement with SAWCo to obtain their entitlement of water. Currently, MVWD is in the process of purchasing an additional 300 shares from another shareholder. SAWCo's legal counsel has looked at the agreements the water company has with other cities and has added a provision should SAWCo not be able to meet entitlement distribution for the existing service agreement to reasonably allocate remaining water available.

Mr. Moorrees recommended the Board approve the agreement subject to the acquisition of the additional 300 shares as presented. He also stated that previously when selling water to MVWD it was considered a sale of stored water which required funds earned to be placed into capital reserves. With this new service agreement it would be based on entitlement and the funds earned would be placed into operations.

Mr. Thomas also pointed out that Water Facilities Authority (WFA) has the ability to send water down to MVWD which may assist SAWCo in providing water to them in the event that water is not available in Chino Basin.

Mr. Quincey stated that he was not comfortable with the agreement and inquired whether or not SAWCo would be formalizing a policy with respect to which service agreement has priority. Mr. Moorrees replied that a policy was crafted, however, it left it open to develop a reasonable method for determining priority. Mr. Moorrees gave the example that if the City of Upland has already used 80 percent of their entitlement and the remaining entitlement is unavailable then the 80 percent is included in that consideration.

Dr. Gattas moved and Mr. Brandt seconded to approve the managers recommendation. Motion carried.

- B. **Yard Office Remodel** – Mr. Moorrees reported that the office yard located on First Avenue in Upland has been in SAWCo's possession since the early 1900's and also provided Ferrier service for the mules for the mule driven trolley. Not many improvements have been made to the location since then. SAWCo received a proposal from Reynolds Construction which was presented to the AFC. The AFC recommended acquiring two additional bids which were obtained from RC Construction and Vern Morrison Construction. Reasons for the improvements, Mr. Moorrees explained, was that field staff is in need of space, the walls are not insulated, the roof is leaking, and there is no hot water or heating and air conditioning.

Mr. Moorrees recommended the Board award the contract to Reynolds Construction in the amount of \$14,200 and authorize the manager to negotiate a deduction of \$1,000 from the bid and solicited a roofing contractor to replace the roof that is located over the office portion of the yard with what is remaining from the \$20,000 budgeted amount.

Mr. Moorrees reported that he received a bid for replacing the roof over the office portion and it totaled \$7,000. If included, it would exceed the budgeted amount of \$20,000.

Mr. Thomas inquired as to whether the budget for the yard needed to be increased to allow for the roof replacement. Mr. Moorrees agreed that increasing the budget would be the best option.

Mr. Hill suggested getting a bid for replacing the entire roof. Mr. Moorrees replied that he didn't want to overdo it for they may need to relocate the yard in the future.

Mr. Thomas clarified that the manager was recommending budgeting \$22,000 to include both replacing the portion of the roof and the lowest bid for the remodel.

Mr. Hill moved and Mr. Brandt seconded the revised manager's recommendation. Motion carried.

- C. **Award Contract for Tunnel Discharge Piping Connection** – Mr. Moorrees stated that generally items like this will go before the PROC for recommendation before they are taken to the Board and would have delayed the project. The City of Upland staff met with the Army Corps of Engineers to discuss several projects, some were projects that SAWCo was interested in. The Army Corps was advised that SAWCo was discharging water behind the San Antonio Dam and was given the go ahead to fix that issue. Discussions with City of Upland staff, it was discovered that a connection could be made from the Water Company's Tunnel discharge to the City's pipeline from their existing wells on the north side of the San Antonio Dam that delivers water to their domestic reservoir on the south side of the dam. This distance for connection was less than 200 feet. Historically, due to the nature of the Tunnel and water quality concerns, when flows exceeds 4 cubic feet per second (cfs) field operations open up the valve to discharge excess flows behind the San Antonio Dam west of Mountain Avenue. This is an opportunity for SAWCo to discharge that water before it exceeds 4 cfs'. It also facilitates a temporary diversion for the forebay project and lining of the tunnel portion between the shaft and the forebay. Bids were received from C.P. Construction, Norstar Plumbing & Engineering, and E & R Construction.

(Mr. Quincey left the meeting at 5:30 p.m.)

Mr. Moorrees recommended the Board award the contract to C.P. Construction in the amount of \$55,135 with a 15% construction contingency fee for a total of \$63,405 and appropriate funds from Capital Reserves.

Mr. Elliott moved and Dr. Gattas seconded to approve the managers recommendation. Motion carried.

- D. **Stock Auction 2010** – Mr. Moorrees advised that this item was for information only, no Board action was required. SAWCo will dispose of personal property in order to collect on bad debt. This is governed by the Commercial Code to "commercially reasonable" to get the highest price possible. SAWCo had a total of five at the beginning of the auction process. Three bad debts have been paid since; leaving only two stock certificates up for bid. Mr. Moorrees stated that the letter inviting bids will be mailed the following day and the notice will be included in SAWCo's newsletter in October.

There will be a newspaper advertisement on November 15, 2010 with the Stock Auction being open to the public and taking place in SAWCo's Boardroom on December 6, 2010 at 10:00 a.m.

- E. **CORO - Surfacing the Solutions – California's Water Crisis** – Mr. Moorrees reminded the Board that the previous year SAWCo had attended and sponsored a table at the CORO luncheon. He stated that this year's CORO luncheon is taking place on October 14, 2010. CORO is providing a luncheon as a forum for parties within the water community regarding the water crisis in California and to engage in discussions to solve the problem of ensuring water supply. The theme this year is "Bye, Bye, Water Bond – Now What?" Speaking at this year's event are Mr. Phil Isenberg, Chair of the Delta Stewardship Board and Mr. Craig Wilson, Sacramento Delta Watermaster. There will also be a panel of experts on the agenda to discuss the sub theme of "Local Solutions – Who and How" facilitated by Rich Atwater, Executive Director for the Southern California Water Committee.

Coro invited SAWCo to become a sponsor of the Coro "Surfacing the Solutions" Luncheon. A Friends of Coro Sponsor provides for one half table (5 individual tickets) at a contribution \$1,500 and \$2,500 for a Bronze Sponsor and a table of 8 with a half page add in the Tribute Journal. Individual tickets are \$195.

Mr. Moorrees recommended the Board sponsor and attend the event on October 14, 2010.

Mr. Thomas moved and Mr. Willis seconded to approve the managers recommendation.

Dr. Gattas recommended a \$1,500 sponsorship. Mr. Moorrees advised that tickets were being sold at \$195 per person and last year a minimum of five individuals from SAWCo attended.

Mr. Willis recommended a \$2,500 sponsorship.

Mr. Thomas moved and Mr. Willis seconded to sponsor the event at \$2,500. Mr. Willis seconded the motion. Motion carried.

F. **Project Status Report** –

- **Booster Line Relocation-1,000 LF of 14"** – It was determined that a 12" line was sufficient. The design is complete. The bid schedule and the contract documents are currently being worked on. Advertising for selective bids will be the following week. Lowest bid will go straight to the Board for approval to avoid delay.
- **26th Street Pipeline-1,840 LF of 12" Waterline** – Project should be completed by the following week.
- **Urban Water Management Plan** – Just received the draft guidelines for review. Kick off meeting with CivilTec Engineering to move forward with this project will be held in November.
- **Chronological History Documentation** – Should be completed in October.

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