

MINUTES OF THE SAN ANTONIO WATER COMPANY
PLANNING, RESOURCES, and OPERATIONS COMMITTEE
January 26, 2016

An open meeting of the Planning, Resources, and Operations Committee (PROC) of the San Antonio Water Company (SAWCo) was called to order at 3:04 p.m. on the above date at the company office located at 139 N. Euclid Avenue, Upland, California. Committee members present were Will Elliott, John Gerardi, and Tom Thomas. Also in attendance were Ryan Shaw with City of Ontario, Justin Scott-Coe with Monte Vista Water District (MVWD), SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton. Mr. Elliott presided.

1. Recognitions and Presentations – The committee recognized Ryan Shaw with the City of Ontario and Justin Scott-Coe with MVWD.
2. Additions-Deletions to the Agenda – None.
3. Public Comments – None.
4. Approval of Committee Meeting Minutes:
 - A. ***Regular Committee Minutes of November 24, 2015*** – Mr. Thomas moved and Mr. Gerardi seconded to approve the meeting minutes of November 24, 2015. Motion carried.

Kelly Mitchell entered the meeting at 3:09 p.m.

5. Planning and Operational Issues:
 - A. ***Cucamonga Crosswalls – Additional Budget Appropriation*** – Mr. Moorrees presented the additional construction management and monitoring expenses required to move forward with the project. A sub-consultant for noise monitoring and reporting is needed at a cost of \$50,040. Environmental services including additional biological surveys, an addendum to the approved Mitigated Negative Declaration to include the alternative haul route at 22nd Street and Campus Avenue, and management of continuing environmental requirements by the Department of Fish and Wildlife at a cost of \$26,920. Also, the necessity of an on-call Cultural Resource Monitoring Program Service requires an Archaeologist be available in the event any cultural resources are identified as a result of the desilting of the crosswalls at a cost of \$23,425. If no cultural resources are identified the cost for the services will be \$500.

Mr. Gerardi moved and Mr. Thomas seconded to recommend the Board appropriate an additional \$80,000 from Operations for the additional consultant services and associated costs for the Cucamonga Crosswalls project as presented.

Mr. Thomas informed the committee and attendees that he, Mr. Moorrees, and John Holliday with Holliday Rock met to discuss alternate routes for this project. They discussed two potential routes; one involved empty dump trucks turn onto 22nd Street from Campus Avenue and exit with a full load off of Holliday Rock's

property. This route may not always be available so the dump trucks would enter and exit on 22nd Street. These options have been sent to SAWCo's Environmental Consultant.

Rosemary Hoerning from the City of Upland entered the meeting at 3:12 p.m.

Motion carried.

- B. *Water Service Agreements*** – Mr. Moorrees distributed proposed water service agreements to MVWD and the City of Upland; he is still waiting on the agreement from legal counsel for the City of Ontario. The City of Upland and MVWD's agreement expired at the end of CY2015. The City of Ontario's service agreement expires in CY2018. At the end of CY2015 SAWCo was unable to make all of the necessary transfers out of its storage account in Six Basins. Along with the reduced storage reserves in Chino Basin and the amount required for the pending Safe Yield reset agreement, staff decided to let those agreements expire.

MVWD was able to take their full entitlement in 2015; 100 acre feet (AF) of which was delivered to them through an exchange agreement with the City of Pomona. The City of Ontario took all but 112 AF of their entitlement in 2015. SAWCo is attempting to make the same exchange agreement with the City of Pomona as they did with MVWD to deliver The City of Ontario's remaining entitlement. The City of Upland did not take all of its entitlement in 2015 with 3,200 AF still remaining. SAWCo has 2,000 AF available in Six Basins but the City of Upland is unable to take it. Ms. Hoerning stated Upland won't be able to produce over 1,000 to 1,100 AF in Six Basins due to the low water table and the wells producing roughly 50% less than normal.

Mr. Moorrees reviewed some of the proposed changes in the new agreement which included reverting back to providing direct water delivery via Water Facilities Authority (WFA) or interagency connections, wheeling arrangements, with charges based on amount of water used during each billing cycle.

Mr. Scott-Coe, Mr. Shaw, and Ms. Hoerning wished to have additional time to review and comment on the new agreement.

Mr. Elliott recommended allowing each agency time to review and comment on their proposed agreements. The item can then be brought directly to the Board. If further discussion is necessary, the item can be brought back to the Committee.

Mr. Shaw inquired as to a timeline for submitting the comments on the new agreement. Mr. Moorrees advised there was no time limit but gave a reminder that the previous agreements with MVWD and the City of Upland have expired and both are being charged for what water they are taking each billing cycle.

There was consensus on the committee to allow the agencies time to review and comment on their proposed agreements.

- C. *Shareholder Assessment – Disposition of Unearned Income*** – Mr. Moorrees addressed the disposition of SAWCo's unearned income. SAWCo owes the City

of Upland 3,200 AF of water in order to fulfill their agreement for CY2015 water deliveries. With the City of Upland only able to take 1,000 AF from SAWCo's Chino Basin storage account, there is a remaining balance of 2,200 AF. At the base rate, the dollar amount owed is \$494,494 and it will need to be either refunded or credited to the City of Upland.

SAWCo entered the CY2016 with a budget deficit of \$486,521. With the addition of the monies owed to the City of Upland, SAWCo is experiencing a short fall of over \$981,000. It was discussed in the Board Budget Workshop in December 2015 the possibility of a shareholder assessment and/or water rate analysis. The figures involved in the proposed assessment involve taking the amount of the shortfall and dividing it by the number of outstanding shares in the company. Mr. Moorrees then further explained the figures involved the proposed assessment

Mr. Thomas stated he was reluctant to do an assessment impacting all shareholders because of an imbalance with the City of Upland. He encouraged SAWCo and the City of Upland to work together to find a different way to rectify the imbalance over a period of time. Mr. Elliott was not opposed to implementing an assessment but felt this was not the right time to do that.

Mr. Moorrees explained to the committee that the domestic customers account for 15.4% of SAWCo's total water delivery. However, they contribute more than 50% of the readiness to serve charges. The municipal customer account for 84.6% of water delivery and pay just 3.79% of the readiness to serve charges. Mr. Moorrees felt there was an inequity in the amount domestic and municipal customers pay. Mr. Thomas disagreed stating there are very few connections from the municipalities systems to SAWCo's system. Mr. Moorrees clarified the charge is for having the water available for the customer not a direct connection to the customer. He then stated Inland Empire Utilities Agency and Metropolitan Water District charges water availability fees to San Antonio Heights residents even though there are no direct connections to either agency. Mr. Moorrees proposed eliminating the readiness to serve charge and instead utilize an assessment on all shareholdings in the company to cover expenses. The cost to deliver water would be covered by water rates, all other costs would be covered by the assessment.

Mr. Gerardi agreed with the water availability charge and agreed with moving forward with a rate analysis that provides for an equitable division of costs.

Mr. Thomas commented that he understood if each year it was determined SAWCo needed to bring in a certain amount of dollars and they then assessed shareholdings evenly to cover that amount. Shareholders would then on top of that pay the commodity rate for their water. An annual bill for the assessment would need to be sent to inactive shareholders as well.

It was agreed the item of a water rate analysis should be taken to the AFC for recommendation. Mr. Moorrees was advised to work with the City of Upland on what the best way is to pay the amount owed for 2015.

Mr. Shaw, Mr. Scott-Coe, and Ms. Hoerning exited the meeting at 3:42 p.m.

6. Planning and Operational Update -

A. *Project Status Report* –

- **Cucamonga Basin – Desilting project at the crosswalls** – A preconstruction meeting is scheduled for February 5th at Chino Basin Water Conservation District. SAWCo’s boardroom doesn’t provide enough space to accommodate all the parties involved in the project.
- **Basin 6** – Staff is working on the jurisdictional delineation which should be completed by April. The basin is not percolating at this time.
- **Tunnel** – Staff is working with a water quality consultant. It has been discovered that the Tunnel overflow is higher than the weir. This is causing water to backup which can cause bacteria to grow. Staff is working with Mark Williams to determine how low to the overflow can and should go.

7. Basin Issues and Updates

A. *San Antonio Canyon Watershed* – The next meeting is scheduled for February 3rd.

B. *Chino Basin* – No report presented.

C. *Six Basins* – A meeting is scheduled for the following day. The election of officers will take place as well as the watermaster contract review.

Mr. Moorrees advised the committee that the two trenches for Holly Drive were completed the previous Thursday.

8. Closed Session: None.

9. Committee’s Comments and Future Agenda Items: – None.

Adjournment: –The meeting was adjourned at 4:06 p.m. Motion carried.

Assistant Secretary
Charles Moorrees