

MINUTES OF THE SAN ANTONIO WATER COMPANY
PLANNING, RESOURCES, and OPERATIONS COMMITTEE
May 30, 2012

An open meeting of the Planning, Resources, and Operations Committee (PROC) of the San Antonio Water Company (SAWCo) was called to order at 3:10 p.m. on the above date at the company office located at 139 N. Euclid Avenue, Upland, California. Committee members present were Tom Thomas, Will Elliott, Ken Willis, and John Gerardi. Also in attendance were General Manager Charles Moorrees. Mr. Thomas presided.

1. Recognitions & Presentations – Mr. Moorrees stated that the Assistant Manager of Administration and Finance, Teri Layton, was recognized for 20 years of service earlier in the day where Mr. Thomas presented her with an award.
2. Additions-Deletions to the Agenda – None.
3. Public Comments – None.
4. Approval of Committee Meeting Minutes – Mr. Elliott moved and Mr. Willis seconded to approve the meeting minutes of March 27, 2012 as presented. Motion carried with Mr. Thomas abstaining.
5. Planning & Operational Issues:
 - A. WFA Water Delivery Concept – Mr. Moorrees stated that originally SAWCo intended to deliver surface water directly to Water Facilities Authority (WFA) but it was set aside due to water quality issues. Drilling a well adjacent to the WFA project on 17th Street and Benson Avenue presented another option to deliver groundwater to the WFA’s finished water reservoir. SAWCo presented the concept to WFA staff who weren’t as receptive to the direct delivery to their finished reservoir due to contact time restraints. SAWCo presented three different options for delivery of water with the most expensive route being delivery of water into the beginning of their treatment train. This option would incur additional charges from WFA to the receiving entities.

After a lengthy discussion of the different options, the idea of providing water “in lieu” was proposed. This concept requires a “paper” agreement with no capital expenditures by having SAWCo deliver the total annual entitlement for Monte Vista Water District (MVWD), the City of Ontario (Ontario), and the City of Chino (Chino) in the amount of 1,583.59 acre feet (AF) to the City Upland “in lieu” of receiving like delivery from WFA. In turn, the WFA would deliver 800AF, 781AF, and 2.59AF (1,583.59AF total) to MVWD, Ontario and Chino respectively. This delivery fee would be charged by SAWCo at the base rate of \$183/AF. The concept hinges on the City of Upland agreeing with this delivery option. Mr. Moorrees pointed out benefits Upland would have by agreeing such as receiving groundwater from SAWCo instead of treated surface water from WFA and maintaining credit for WFA delivery for the like amount of water received by SAWCo so as to not lose their Tier 1 credits.

The committee felt the “in lieu” idea for providing water to MVWD, Ontario, and Chino was a suitable alternative to establishing a physical connection with WFA and approved staff moving forward with the concept. It was noted that SAWCo would still pursue the physical connection with the WFA provided it was the least costly option to deliver water into their finished reservoir.

- B. Depreciation Reserve – Mr. Moorrees reported that the end of the year financial statement for 2011 showed a balance of \$6,653,977 in accumulated depreciation with a reserve cash fund of \$5,076,600. Staff developed the Company’s asset management worksheet for the next 25 years that required an outlay of \$8,079,769 which currently does not include the \$10,000,000 of projects identified in the Water Systems Master Plan.

Staff proposed eliminating the existing multiple reserve funds and combining them all into a single reserve entitled “Depreciation and Obsolescence Reserve”. Positive balance at the end of the year would be deposited into the Depreciation Reserves to fund annual depreciation and expenditures. Annual Consumer Price Index (CPI) would be factored into future costs to compensate for inflation. It is the intent that the Depreciation and Obsolescence Reserve fund 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.

There was a consensus on the committee that staff should move forward with consolidating all reserve funds into one depreciation reserve as presented and explore funding options for depreciating assets.

- C. City of Ontario purchase of SAWCo’s casing in San Antonio Avenue – Mr. Moorrees presented a verbal update on this item originally presented in April of this year. It has not been presented to the Board of Directors due to Ontario requesting a delay. The Ontario General Manager wishes to take this item as well as the water service agreement to his board for approval in October; at which time staff will present this item to the Board.
- D. City of Ontario Water Service Agreement – Mr. Moorees provided a verbal update on this issue as stated in the previous item.

6. Planning & Operational Update -

A. Project Status Report

- **Well 25A - Drilling** – Drilling has been completed. Test pumping should begin in June.
- **Cucamonga Basin – Desilting project at crosswalls** – A biologist has been retained by San Bernardino County to conduct a bird study.
- **Forebay Improvements** – Staff is still trying to resolve building issues with the San Bernardino County Building and Safety (SBCBS).
- **Water Rights Investigation** – Activity – Staff received a Freedom of Information Act request from the United States Forest Service (USFS). A report from SAWCo’s special counsel has been received. SAWCo was able to acquire all the internal memos from USFS. Michael Gagan has a meeting

scheduled for June 15th with the Vice Chairman of the State Water Resources Control Board (SWRCB) to see what can be done.

- **Cucamonga Basin Management Plan** – A Board Workshop is being held on June 12th at 1:00 p.m. for a presentation by Wildermuth Environmental, Incorporated.
- **Res 6 Interior & Exterior Recoating** – A pre-construction meeting is scheduled for Friday, June 1st. The project should take 85 calendar days to complete.
- **Chino Basin Recharge Pipeline** – Currently in design. Applied for a permit with Army Corps.
- **Website Update** – The website is now live.
- **Document Imaging** – Project should be completed by the following week.
- **Frankish Tunnel Pipeline** – Pending design.

7. Basin Issues & Updates

A. *San Antonio Canyon Watershed* – Nothing was discussed.

B. *Cucamonga Basin* – This item was discussed under the project section of the meeting.

C. *Chino Basin* – Ontario will be transferring 782AF of their entitlement out of Chino Basin.

D. *Six Basins* – On June 8th, SAWCo will be providing a tour of SAWCo's facilities for MVWD and Ontario.

8. Closed Session – None.

9. Committee's Comments and Future Agenda Items – Mr. Moorrees stated that he would e-mail the Board of Directors some possible dates for a facility tour for all Board members.

Adjournment – Due to no further business the meeting was adjourned at 4:24 p.m.

Assistant Secretary
Charles Moorrees