

MINUTES OF THE SAN ANTONIO WATER COMPANY
PLANNING, RESOURCES, and OPERATIONS COMMITTEE
November 22, 2016

An open meeting of the Planning, Resources, and Operations Committee (PROC) of the San Antonio Water Company (SAWCo) was called to order at 3:00 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 City of Upland Public Works Director Rosemary Hoerning, Justin Scott-Coe with Monte Vista Water District (MVWD), Charles Snyder with California Infrastructure Fund, LLP (Fund), Steve Corrington and Peter Hall with MIH Water Treatment Inc., and SAWCo's General Manager Charles Moorrees and Assistant General Manager Teri Layton. Mr. Elliott presided.

1. Recognitions and Presentations – Mr. Moorrees recognized the meeting attendees; City of Upland's Public Works Director Rosemary Hoerning, Justin Scott-Coe with MVWD, Steve Corrington and Peter Hall with MIH Water Treatment Inc. and Charles Snyder with Fund.
2. Additions-Deletions to the Agenda – None.
3. Public Comments – None.

Mr. Ken Willis entered the meeting at 3:02 p.m.

4. Approval of Committee Meeting Minutes:
 - A. ***Regular Committee Minutes of September 27, 2016*** – Mr. Thomas moved and Mr. Gerardi seconded to approve the meeting minutes of September 27, 2016. Motion carried.

Ms. Kelly Mitchell entered the meeting at 3:04 p.m.

5. Planning and Operational Issues:
 - A. ***Well 31 Biological Treatment Plant*** – Mr. Snyder gave a PowerPoint presentation about SAWCo's Well 31 biological treatment pilot plant. A preliminary capital cost budget is at \$4,071,900. Financing options through California Infrastructure Fund, LLP for 'Build-Own-Operate', Proposition 1 Match-Funding Grant Program, and Lease of Assets to SAWCo were discussed. The Match-Funding Loan requires a one year loan for construction and a separate seven year term loan.

Mr. Snyder, Mr. Corrington and Mr. Hall exited the meeting at 4:10 p.m.

Mr. Frank Gill IV, vice president of Holman Capital, entered the meeting at 4:11 p.m.

Mr. Gill gave a brief overview of Holman Capital Corporation and explained their main focus is on renewable energy. He then presented a PowerPoint describing the types of assets Holman Capital finances, their structure and then a breakdown

of the biological treatment project financing needs with SAWCo's credit worthiness and the interest rates they are eligible for. Rates ranged from 4.5% for a 5 year loan to 5.5% for a 10 year loan.

Mr. Gill also described the process of Proposition 1 funding. Securing this type of capital is a long, arduous process. The pre-application process can take up to 60 days to speak with the State of California to explain your project. Once the State gives the approval for the project to receive funds additional studies are required (mechanical, environmental, and fiscal sustainability) along with the submittal of the formal application. Average response time from the State after receiving the studies and formal application is 9 months. If the State approves the submittal it takes another 30-60 days to finalize the agreement. Mr. Gill warned that if an agency can secure or enter into a loan with another agency prior to receiving Proposition 1 funding then the agency is disqualified from receiving Proposition 1 funding according to the State. Mr. Gill suggested holding off securing a loan until the State determines whether or not SAWCo is approved for Proposition 1 funding.

Holman Capital offers three loan options; 1) provides the lowest interest rate and purchase option at 2-3% premium on outstanding principle balance, 2) includes a no call provision with a slight rate increase and, 3) charges occur upfront then a no call provision. The rates provided by Mr. Gill were not locked in but upon credit approval they can be locked in for 30 days. Any overages in escrow dollar amount can be used for another project or used to pay an upcoming scheduled payment.

Mr. Gill exited the meeting at 4:40 p.m.

Greg Armstrong, senior vice president of Citizens Business Bank, entered the meeting at 4:40 p.m.

Mr. Armstrong provided three term options; five year, seven year and 10 year. Interest rates ranged from 3.875% to 4.50% depending on the number of years the loan is being financed. All three types of loans bare a ¼% loan fee and a \$1,000 document fee. A prepayment penalty exists and amounts to six months' worth of interest on anything over 10% of the loan. For a 10 year loan that would equate to a \$55,000 to \$85,000 prepayment penalty depending on the amount borrowed. The loan can also be set up for interest only payments during construction with amortization starting once construction is complete. SAWCo can lock in the interest rate presented for up to a year for a fee.

Mr. Armstrong exited the meeting at 4:49 p.m.

B. Draft CY2017 Capital Improvements/Outlay Budget – Mr. Moorrees distributed an updated copy of the draft CY2017 Capital Improvements/Outlay budget. The committee discussed various items in the budget.

In regards to the Cucamonga Crosswalls project, Mr. Thomas commented that Holliday Rock is more comfortable with GRB Equipment handling the job,

however, should GRB Equipment fail to do the job correctly Holliday Rock would like the option of taking over and complete the remaining work. There is no need to go out to bid on this portion of the project.

Mr. Moorrees advised SAWCo is required to pay \$90,000 for the 401 permit from the State Water Resources Control Board. Staff is still awaiting the Nationwide permit from Army Corps of Engineers. These items are required prior to beginning the Cucamonga Crosswalls project.

Additional projects discussed were the Basin 6 Desilting, Water Facilities Authority Pipeline, Well 31 Biological Treatment, Holly Drive Reservoir Design, Well 19 pipeline and Well 24 rehabilitation.

6. Planning and Operational Update -
 - A. ***Project Status Report*** – No report provided.
7. Basin Issues and Updates
 - A. ***San Antonio Canyon Watershed*** – The Sanitary Survey is complete.
 - B. ***Chino Basin*** – Nothing reported.
 - C. ***Six Basins*** – SAWCo is having difficulty selling 1,000 acre feet (AF) of stored water in this basin.
 - D. ***Cucamonga Basin*** – Nothing reported.
8. Committee's Comments and Future Agenda Items: – None.

Adjournment: –The meeting was adjourned at 5:17 p.m. Motion carried.

Assistant Secretary
Charles Moorrees