

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, May 15, 2018

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:00 p.m. on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Will Elliott, Sue Sundell, John Gerardi, and Jose Sanchez. Also in attendance were SAWCo's General Manager Charles Moorrees and Assistant General Manager Teri Layton. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions and Presentations: Mr. Moorrees recognized Mr. Peter Cherbak in attendance.
- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of April 17, 2018.
 - B. Planning, Resources and Operations Committee (PROC) Meeting Minutes
No meeting to report.
 - C. Administration and Finance committee (AFC) Meeting Minutes
Meeting minutes of February 27, 2018.
 - D. Financial Statement
Comparative Income Statement and Balance Sheet for March 31, 2018 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 on-going active issues.
 - H. Projects and Operations Update
Status summaries on projects and operations matters.
 - I. Groundwater Level patterns [Quarterly in January, April, July, and October]
Tracking patterns of groundwater elevations relative to ground surface.
 - J. Correspondence of Interest
Water rights findings response to the State dated April 24, 2018

Mr. Moorrees pointed out an error in the spelling of a Director's name. Director Gerardi moved and Director Sanchez seconded to approve the Consent Calendar with name correction. Motion carried.

- 5. Board Committee – Delegate Report:
 - A. Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas reported the City of Pomona has performed contracted weed abatement for PVPA for many years and has begun their work for this year.

The City of Claremont is considering a solar power monogrid project. The only area big enough to perform the project would be on PVPA land. PVPA is waiting to hear word from the City of Claremont on what they propose to do. Holliday Rock is working towards a mining permit in the City of Claremont east of the channel.

PVPA is interested in acquiring Pit 6 from the City of Ontario for Six Basins. It was mined out by Vulcan Materials and is not being put to use. A letter to that fact has been sent to the City of Ontario.

There was discussion on the ability in California to call stormwater wastewater in order to get around Proposition 218. Los Angeles County is looking at taxing by parcel for water runoff. PVPA is attempting exemption from this due to the fact they recharge water.

- B. Six Basins Representative Report** – Mr. Moorrees reported on the April 25th Board meeting for Six Basins. During the meeting the Board adopted the Task Order 2018-02 to perform the next steps in Strategic Plan implementation. This task order includes engineering work to support the Programmatic Environmental Report (PEIR) Program and evaluation of the response to Conjunctive water Management Scenarios using the groundwater model, performance of PEIR and supporting the selection of a CEQA consultant, and review of the draft and final PEIR and support services as needed at a cost of \$285,000.

Watermaster directed Counsel to send the letter to Robert Bowcock regarding the request by Vulcan Materials to intervene as a Party to the Six Basins Judgment. The letter states that the current judgment does not allow intervention by a non-producer in the groundwater basin. Until Vulcan Materials constructs resources capable of producing at least 25 acre feet per year (AF/yr) in the basin, there is no basis to intervene.

Watermaster staff introduced John Robinson who provided a brief summary of Three Valleys Municipal Water District (TVMWD) Grant Consulting Services for obtaining grants and low interest loans.

The next scheduled Six Basins meeting is on May 23, 2018.

- C. Chino Basin Representative Report** – Ms. Layton reported staff is still awaiting a draft settlement agreement. The Non-Agriculture Pool wants to add to the terms and talks are on-going. The Agriculture Pool is waiting for the draft agreement.

The Watermaster will be giving the court an update to keep the judge informed when filing the 40th Annual Report. The court hearing was moved from May 25th to June 22nd at the San Bernardino County Superior Court.

On April 24th staff attended the Optimum Basin Management Program update meeting where Watermaster presented the scope of engineering work.

Staff also attended the budget workshop meeting and noted that the budget was slightly reduced mainly due to the fact projects were moved out to be financed. All staff's questions were previously answered.

There is concern that the 600,000 AF storage cap is fast approaching. When the court issue is finalized, it is anticipated that a reduction in safe yield and a desalter replenishment obligation will remove this water. Watermaster is asking the parties to consider putting their anticipated amount in a Desalter Replenishment Obligation (DRO) account that would not be charged any losses but would not allow the parties to move the water back. Watermaster presented an agreement that the parties approved which will go to the Advisory committee this week and to the Board the following week. Watermaster is looking for 25,000 to 30,000 AF to move into this DRO account. The parties that expressed interest in preemptively making water available to Watermaster toward their expected replenishment obligation are: Cities of Ontario, Pomona, Chino Hills and Upland along with SAWCo, Jurupa Community Services District, CVWD, Fontana Union Water and WECWC.

D. Cucamonga Basin Representative Report – Mr. Moorrees stated a meeting is to be held tomorrow to review the draft memo with West End Consolidated Water Company (WECWC). Once the memo is approved by both parties it will be sent to Cucamonga Valley Water District (CVWD) to arrange a meeting with them. Mr. Moorrees will copy the Board on the agreed upon memo.

E. Administration and Finance Committee (AFC) Chairman’s Report – Nothing to report.

F. Planning, Resources, and Operations Committee (PROC) Chairman’s Report – No meeting to report.

G. Office Feasibility Study Ad Hoc Committee – No meeting to report.

6. General Manager’s Report on Activities:

A. Requests for Contributions – Mr. Moorrees stated this item is presented to re-authorize contributions to water programs previously approved by the Board in CY2011. The programs submitted for approval are the American Groundwater Trust, Water Education Foundation, and California Water Awareness Campaign. This item was presented to the AFC in April for discussion and there was consensus on the committee to recommend for Board approval.

Director Elliott moved and Director Sundell seconded to approve re-authorizing the General Manager to make continuing contributions to American Groundwater Trust (\$250/yr), Water Education Foundation (\$250/yr), and California Water Awareness Campaign (\$300/yr) as presented. Motion carried.

B. Citizens Patrol Contribution – Mr. Moorrees reported SAWCo received a request for a donation of funds from the San Antonio Heights Citizen’s Patrol. SAWCo contributes annually to the Citizen’s Patrol and in the past has donated \$1,000.

Mr. Moorrees recommended the Board agree with the AFC to authorize a \$1,000 monetary contribution to the San Antonio Heights Citizen’s Patrol.

Director Sundell moved and Director Gerardi seconded to approve the General Manager’s recommendation. Motion carried.

C. AB3057 [Quirk-Silva] as Amended – Mr. Moorrees explained AB3057 [Quirk-Silva] is a bill amending the California Revenue and Taxation Code to conform to the Federal Internal Revenue Code. SAWCo is exempt from Federal Income Tax but not from State Income Tax. This bill amends the taxation code to allow SAWCo to be state income tax exempt.

The request to support the bill with the associated letter was presented to the AFC on April 24th with consensus to recommend Board approval. Since then, the Assembly Committee on Revenue and Taxation voted 10-0 in support and now moves to the Assembly Appropriations Committee; hearing date is still pending. A revised letter for the Chair of the Assembly Appropriations Committee was included in the Board agenda packet.

There was consensus on the Board for the General Manager to send the letter of support as included in the Board agenda packet.

D. Conflict of Interest Policy – Mr. Moorrees explained that each year a form 990 is completed by staff and sent to the Internal Revenue Service (IRS). The IRS requires the company have a written Conflict of Interest Policy as is inquired about on the form 990. A distribution date for the policy must also be established.

Director Thomas suggested the June Board meeting for the distribution date. He also inquired whether or not the City of Upland attorney had any objections to the policy. Ms. Rosemary Hoerning,

Public Works Director for the City of Upland, advised their attorney did not have any concerns regarding the policy.

Director Elliott moved and Director Sanchez seconded to approve the Conflict of Interest Policy as presented with a distribution date coinciding with the June Board meeting. Motion carried.

- E. Workers Compensation Insurance** – Director Thomas stated SAWCo moved from a 10-month to a 12-month policy. Though there is a slight increase, the premium the policy is still a great deal.

Mr. Moorrees advised the renewal should have been presented to the Board at the April 17th meeting for approval; however, staff received the renewal after the Board meeting on April 18th. Therefore, it was presented to the AFC for review and/approval for the Board to ratify the decision at the May Board meeting.

Director Gerardi moved and Director Sanchez seconded to ratify the renewal of the Workers' Compensation Insurance three year program with Cal-Mutual JPRIMA The Zenith, a Fairfax Insurance Company for 5/1/2018 to 5/1/2019 at an annual premium of \$16,027. Motion carried.

- F. Domestic Shares Appurtenant to Land** – Mr. Moorrees reported Section 14300 became law in 1998 and applies to all mutual water companies requiring all their domestic shares be appurtenant to land.

This item was presented to the AFC who rejected the proposal. Legal counsel presented the information to staff as part of his due diligence though the final decision is left to the company.

Director Sundell moved and Director Sanchez seconded to agree with the AFC recommendation and reject making domestic shares appurtenant to land. Motion carried.

- G. 24th Street 6" Waterline Installation** – Mr. Moorrees stated this item was not included in the annual budget. Staff is requesting a budget appropriation to replace the existing 2" waterline on 24th Street east of Cliff Road with a 6" Ductile Iron Pipe waterline.

Including 24th Street with bids for the budgeted Santa Rosa Court Waterline replacement will provide economy of scale and reduce the cost to install.

Mr. Moorrees recommended the Board approve the 24th Street waterline installation and appropriate \$70,000 from Depreciation and Obsolescence Reserves.

Director Elliott moved and Director Gerardi seconded to approve the General Managers recommendation. Motion carried.

- H. 401K Change in Current Investment Platform** – Mr. Moorrees reported Mr. Mark McKeon, SAWCo's representative for Nationwide, presented staff the details on the Nationwide Flexible Advantage Program. Until recently, small Mutual Water Companies were ineligible to participate in this type of program. SAWCo's current plan is an annuity that provides some protection for principle investments and beneficiaries but carries associated fees which reduce the interest gained relative to current investments in the market place.

The Nationwide Flexible Advantage Program provides more investment flexibility, in person and online education and tools, lowers overall cost and provides a higher return on investments. It also provides target maturity funds from multiple funds, self-directed brokerage accounts, professionally managed accounts for participants, and fixed investment choices. There was consensus with staff to recommend the proposed change in investment platform as well as consensus with the AFC to recommend Board approval to change the current employee Nationwide 401K plan to the Nationwide Flexible Advantage Program.

Director Sundell moved and Director Sanchez seconded to approve the proposed change in the current employee Nationwide 401K plan to the Nationwide Flexible Advantage Program. Motion carried.

I. Project Status Report –

- **Santa Rosa Waterline and 24th Street Waterline Installation** – Selective bids to three construction companies; C.P. Construction, Norstar and T.E. Roberts, Inc. Pre-bid meeting is scheduled for May 25th with bid opening scheduled for June 8th with contract award on June 19th.
- **Edison Pond – New Sluice Gate Replacement** – Received the final design from the City of Pomona. Quoted cost from C.P. Construction is \$64,500 with contract pending signatures. After the signed contract is received a pre-construction meeting will be scheduled.
- **Holly Drive Reservoir** – Scheduled to begin site improvements towards the latter part of the year.
- **WFA Pipeline Connection** – SAWCo is coordinating the final plans and specifications with WFA staff. The item needs to be taken to WFA TAC and Board for approval.
- **Basin 6 Desilting** – Another notice of rejection without prejudice was received from the State Water Resources Control Board (SWRCB). Some items are missing from the San Bernardino County who will respond to the notice. Once the response is received by SWRCB Two issues were discovered and were presented back to the environmental consultant for correction.
- **Cucamonga Basin – Desilting Project at Crosswalls** – Preconstruction meeting is scheduled for May 23rd at the Chino Basin Water Conservation District. The division chief of Army Corps of Engineers has apologized for the delay in receiving the draft report. The draft permit has been received but the date needs to be altered. Once engineering has approved it they will change the date.
- **Water Rights Investigation – Activity** – Staff received a phone call from Victor Vasquez from the SWRCB. Staff asked that he respond to SAWCo letter response in writing.
- **Well 31 Biological Treatment** – MIH is installing the parts for the new testing filtration system.
- **Holly Drive Boosters** – Pending structural and mechanical engineering from TKE Engineering and subsequent quote from KSM Electric and HK. Staff has attempted to contact the president of the Holly Hills Homeowners Association but has not received a response.
- **SCADA Upgrade** – SCADA submittals expected by June 13th with approval by June 27th. Screen submittal by August 15th with approval by August 29th is expected. The equipment is set to be installed on October 3rd with start up on October 4th.
- **Forebay Surface Waterline** – The job walk with C.P. Construction took place the previous week. Construction should begin in the next week.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items: Director Thomas advised he had received an email from DeLoach & Associates. Mr. DeLoach has roughly 10 to 12 applicants and will be accepting more through the end of the month. Within the two weeks following the close of the job posting he will reduce the number of qualified applicants to the top 5. A special meeting may need to be called prior to the next Board meeting to move the process along. Director Thomas informed Mr. Moorrees that his services, as well as Ms. Layton's, may be needed to cover the General Manager's position after his retirement date until the new General Manager begins work. Mr. Moorrees was receptive to providing interim help.

Adjournment: Seeing no further business, the meeting was adjourned at 5:32 p.m.

The next Board Meeting will be held on Tuesday, June 19, 2018 at 5:00 p.m.

Assistant Secretary
Charles Moorrees