

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, September 18, 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, Bob Cable, and Gino Filippi. Also in attendance were residents Thomas McCarthy and Peter Cherback, and SAWCo's outgoing General Manager Charles Moorrees, incoming General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag led by Mr. Moorrees
- 1. Recognitions and Presentations: Mr. Moorrees recognized SAWCo's incoming General Manager, Brian Lee.

Mr. Moorrees also brought the Board's attention to a letter received from Cucamonga Valley Water District (CVWD) regarding California Water Professionals Appreciation Week which begins the first Saturday in the month of October.

A picture from the 14th Annual San Antonio Canyon Watershed Clean-up Day was shown.

Added to the agenda is Item 6I, Assistant Secretary Designation.

- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: Mr. Peter Cherbak spoke to the Board regarding SAWCo Stock Auctions. He questioned whether there was a different procedure that can be followed so that individuals and small business owners do not have to submit cashier's checks with each auction bid.

Director Thomas stated staff has been following legal counsel's recommendations for stock auctions.

Mr. Moorrees added the cashier's check guarantees the monies bid on the stock will be collected whereas an individual's or small business owner's check does not provide guaranteed payment. He also pointed out the only difference between the bidding procedure for individual's or small business owners and local government agencies are the types of checks accepted.

- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of August 21, 2018.
 - B. Planning, Resources and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report.
 - C. Administration and Finance committee (AFC) Meeting Minutes
Meeting minutes of June 25, 2018.
 - D. Financial Statement
Income Statement and Balance Sheet for July 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 –
- IEUA Letter 8-23-18 – Monthly MEU Charge.
 - Tolle Azalea & Rose Company – 8-31-2018 Letter to not extend current lease/20th Street Site.

Director Elliott moved and Director Gerardi seconded to approve the Consent Calendar as presented. Motion carried.

5. Board Committee – Delegate Report:

- A. Pomona Valley Protective Association (PVPA) Representative’s Report** – Director Thomas reported on the September PVPA meeting. The report item on monthly water spread shows no water is being spread at this time.

The City of Pomona is contracted to provide weed abatement on PVPA properties. The new contract submitted includes a modest rate increase.

Holliday Rock is slowly moving forward with their mining application for Pit 3 and Pit 4 with the City of Claremont. This application may not be completed until after the November elections.

For several years PVPA has contributed funds to certain components of the Six Basins Watermaster budget. This contribution helps with special projects in the basin. An expected surplus is expected again this budget year which will allow PVPA to contribute to the Six Basins Watermaster once again.

- B. Six Basins Representative Report** – Mr. Moorrees reported on the Six Basins Watermaster meeting on Mr. Tommy Hudspeth’s behalf.

During the August meeting a temporary request for change of representation for Three Valleys Municipal Water District (TVMWD) was approved. Mr. Matt Lychfield, Assistant General Manager of TVMWD, will be representing the district.

An oral update on the well-siting study for new monitoring wells was provided by the Watermaster.

Mr. Darron Paulsen informed Watermaster Board there would be no Ad-Hoc Committee for the MS4 Permittee Collaboration.

Director Thomas informed all in attendance of the Six Basins Watermaster Board meeting of SAWCo’s new General Manager, Brian Lee.

A welcome was given to the new representative for Pomona College. The position was open on the Six Basins Watermaster Board due to the retirement of John Giboney.

A Strategic Planning Workshop was held immediately following the Board meeting. Jericho Systems, the consultant for the Programmatic Environmental Impact Report (PEIR), provided an overview of the process. There was an update on the preliminary 2018 model calibration results. The Six Basins Watermaster Board also requested comments for the Notice of Preparation of the PEIR.

- C. Chino Basin Representative Report** – Ms. Layton reported on the Safe Yield process. At the Appropriative Pool (AP) meeting held September 13th, the AP approved the 2018 agreement to Judgment and CAMA amendments including Exhibit A. This agreement was subject to the following: 1) There is a clarification that the desalter replenishment formula, with respect to Adjusted Physical Production, includes the production of Exhibit G Section 9 transferred water from the non-agriculture Pool to the AP; 2) Non-Agriculture’s Pooling Plan is refined to match the agreement; 3) Conditional of governing Party’s Board approval; and 4) Watermaster understands the agreement and explains

its implementation. The AP has a closed session meeting on September 20th to discuss both Non-Agriculture's and Agriculture's comments and how to proceed.

The court hearing regarding staying the Judgment is set for December 28, 2018 at 1:30 p.m.

The Storage Framework Final Workshop recently took place with Mark Wildermuth, engineer for Chino Basin Watermaster, providing a presentation on the Storage Framework. The next phase will be the Storage Management Plan. This will be where a lot of the work will take place.

D. Cucamonga Basin Representative Report – Mr. Moorrees reported a management meeting is scheduled for October 4, 2018.

E. Administration and Finance Committee (AFC) Chairman's Report – Director Sundell reported on the AFC meeting.

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:

I. Assistant Secretary Designation – Mr. Moorrees requested the Board designate Brian Lee, the incoming General Manager, as the Assistant Secretary of SAWCo.

Director Elliott advised a Corporate Resolution is needed in order to change the designation.

Director Elliott moved and Director Cable seconded to bring a resolution for a change in designation of the Assistant Secretary to the next meeting for approval. Motion carried unanimously via voice vote.

A. Compensation Policy – Mr. Moorrees presented a policy to the Board as part of the required Internal Revenue Service (IRS) Form 990. This policy provides an annual process for determining compensation to evaluate the Executive and his/her performance and ask for his/her input on matters of performance and compensation and to approve compensation for other highly compensated employees as well as compensation for Directors.

This item was previously brought to the AFC for recommendation to the Board.

Mr. Moorrees recommended the Board agree with the AFC by adopting the compensation policy as presented.

Director Gerardi moved and Director Elliott seconded to approve the General Manager's recommendation. Motion carried.

B. Stock Certificate Policy – Items 6B and 6C were combined into one vote as the items are related to one another.

Mr. Moorrees advised there are no established guidelines for pledges on water stock certificates. The presented policy provides for the removal of any mention of pledge's on water stock certificates with the ability to have a pledge when certain requirements are met.

C. Stock Transfer Policy – Mr. Moorrees presented a stock transfer policy change to provide guidance to shareholders and potential shareholders on how to transfer water shares.

Director Elliott moved and Director Cable seconded the approval of the Stock Certificate Policy and Stock Transfer Policy as presented. Motion carried.

- D. Nationwide 401K Investments** – Mr. Moorrees explained that although staff had received approval to move to a new 401k platform, when reviewing the contracts for the new plan questions regarding fees and penalties arose. After presenting this new information to the AFC, the Committee wanted clarification on a couple of items.

Ms. Layton reported the AFC requested staff inquire with Nationwide on two items; 1.) Instead of basing the termination fee on 15% of employees leaving the plan constituting a rate change could it be based on a dollar amount? and, 2.) What are the tax consequences for the employees if the Company were to pay the surrender fees?

Mr. Moorrees reported that Nationwide could not change the termination fee based on a percentage of employees leaving the plan. Also, according to SAWCo's tax consultant, to pay the surrender fees for those employees that would incur them would be an equity issue in his opinion.

The Board was advised that those subjected to surrender fees can choose to keep their monies in the original 401K until they reach eligibility. They can also choose to bring over the maximum amount allowed to the new plan without surrender fees and keep the remaining amount in their original 401K or pay the surrender fees and move all of their monies over to the new plan.

Mr. Moorrees recommended the Board adopt the plan as presented with termination fees based on 15% of employees leaving the plan constituting a rate change and employees who are not 59 ½ years old or have not contributed for 15 or more years being required to pay surrender fees when moving all monies to the plan.

Director Sundell moved and Director Gerardi seconded the General Manager's recommendation. Motion carried.

- E. Vacation Policy** – Mr. Moorrees advised the Board that SAWCo's current vacation policy states that new full-time employees can accrue vacation time but cannot use the accrued time until they've completed one year of employment.

Mr. Moorrees recommended the Board agree with the AFC and amend the policy to allow use of accrued vacation without having to complete one year of employment.

Director Cable moved and Director Elliott seconded to approve the General Manager's recommendation. Motion carried.

- F. Disposal of Records** – Mr. Moorrees informed the Board that SAWCo keeps record of the items they dispose. A copy of the items for approval to destroy was included in the Board Meeting Agenda Packet.

Director Elliott moved and Director Cable seconded to approve the destruction of items presented. Motion carried.

- G. CY2018 Mid-Year Budget Review** – Mr. Moorrees reported a projected positive balance for CY2018. There may be a variance of \$100,000 if SAWCo is unable to sell stored water.

Director Elliott moved and Director Sundell seconded to receive and file the Mid-Year Budget report as presented. Motion carried.

H. Project Status Report –

- **Holly Drive Reservoir** – Plans have been received and are being review. The item is budgeted for 2018 but may carryover to 2019.
- **WFA Pipeline Connection** – Staff is working with WFA staff who is working with the Department of Drinking Water (DDW). Once approval is received from DDW and the WFA Board, SAWCo can move forward with installing the 300 feet of pipeline.
- **Cucamonga Basin – Desilting project at crosswalls** – Staff sent an amended notice to proceed to allow for work on Task A of the project to extend to November 16th.
- **Basin 6 Desilting** – SAWC has received environmental approval and is awaiting the electronic permit. Pre-construction meeting is scheduled for September 28th. The cost of the project may be reduced due to little or no water needing to be pumped out and less silt to be removed.
- **Water Rights Investigation** – A closed session is scheduled for the next PROC to discuss the next steps for the investigation. A proposal from a public relations firm will be discussed as well.
- **Office Relocation Study** – The City of Upland will soon be receiving a loan from the State to purchase the property from SAWCo to build a reservoir. There is a possibility of reverse condemnation on the property to allow SAWCo to use the monies received over a longer period of time without it impacting the 85/15 rule.
- **Well 31 Biological Treatment** – MIH is using a different filtration system to reduce the cost of the treated water to \$330 per acre foot (AF). The cost is still not compatible with SAWCo's water rates. SAWCo also must be careful as Well 31 pumps water from Cucamonga Basin and SAWCo is near their limit for safe yield production in that basin.
- **Water Delivery Connection to the City of Upland** – Pending the City of Upland's permit amendment application approval from DDW.
- **Holly Drive Boosters** – All underground piping is complete. Electrical equipment is being installed. The project is expected to be completed by the end of the year.
- **SCADA Upgrade** – A meeting is scheduled with TESCO towards the end of the week. The project is slightly behind schedule.
- **Reservoir 7 Rehabilitation** – Staff has met with the engineer on the project. Draft plans have been received and are currently being reviewed. This item may carryover to 2019.

Mr. Moorrees advised the Board of a potential matter. A shareholder with a residence located between SAWCo's reservoir and hydro station has complained about a low frequency hum he hears when water runs through the pipeline and penstock line on the property. These facilities have been located on the property prior to the house being built. The cost to demolish the structure is \$90,000 and the cost to relocate the pipelines would range between \$200,000 and \$300,000. A records act request regarding facilities on and communication about this property and its facilities was received from the shareholder's attorney.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items: Director Cable clarified that the bid process for SAWCo water stock auctions is the same for everyone that bids. There is no difference in the process for bids received by individuals, business, and municipalities except that a public agency can submit and agency check.

Ms. Layton verified Director Cable's statement.

Director Thomas expressed his enjoyment working with Mr. Moorrees over the years and wished him well in retirement.

Adjournment: Seeing no further business, the meeting was adjourned at 5:40 p.m.

September 18, 2018

The next Board Meeting will be held on Tuesday, October 16, 2018 at 5:00 p.m.

Assistant Secretary
Brian Lee