

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, February 20, 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, Jose Sanchez, and Gino Filippi. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions and Presentations: Mr. Moorrees recognized four shareholder attendees and Councilwoman Janice Elliott.
- 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 January 16, 2018.
 - B. Planning, Resources and Operations Committee (PROC) Meeting Minutes
Meeting Minutes of November 28, 2017.
 - C. Administration and Finance committee (AFC) Meeting Minutes
No meeting minutes to report.
 - D. Financial Statement
Comparative Income Statement and Balance Sheet for December 31, 2017 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
 - LAFCO – Resolution adopting sphere of influence designation for MWD and coterminous with IEUA.

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 most recent PVPA meeting. The Annual Financial Report was presented by Craig Miller of Bowen McBeth, Inc. accounting firm. Minimal water is being spread due to lack of rainfall. A contractor was hired and completed work cleaning out the recharge basins and roads below the San Antonio Dam.
 - B. Six Basins Representative Report** – Mr. Moorrees reported annual elections were held at the January 24th Board meeting for Six Basins. Darron Poulsen was elected President, Dan Keesey elected Vice President, Ben Lewis elected Treasurer and Tom Thomas elected Secretary. The

maintenance expenditures for the new MW-4 monitoring well site was presented by the City of Pomona.

Watermaster staff presented the Memorandum of Understanding with Three Valleys Municipal Water District (TVMWD) regarding funding and preparation of Programmatic Environmental Impact Review for the Strategic Plan Implementation and will bring the item to the Board for final approval.

Watermaster staff informed the Board that on January 2, 2018 TVMWD secured the services of a grant consultant to address the need to aggressively pursue grant funding opportunities for the Strategic Plan projects.

Staff provided their report on spreading activities, production, and budget summary.

A short Strategic Plan summary was presented by staff followed by an update of the MS4 permittees collaboration by the City of Pomona as lead agency.

C. Chino Basin Representative Report – Ms. Layton reported at the previous Board meeting the six parties that have been involved with litigation presented a term sheet. SAWCo staff conferred with legal counsel and he is comfortable with SAWCo signing the term sheet due to it not being the final document and more significant items are forthcoming. Staff followed suit with the City of Upland and sent a signed term sheet reserving their right to see the agreement and go through the process of legal review and Board approval. The term sheet has now gone to the Non-Agriculture (Non-Ag) Pool, Agriculture (Ag) Pool and the Watermaster. Non-Ag and Watermaster have given their feedback and Ag is waiting on an agreement. A draft agreement is expected by the end of this month.

The court hearing regarding staying the Judgment was extended from February 2, 2018 to September 14, 2018 at 1:30 p.m. The parties have until April 3, 2018 to dismiss or file a motion regarding the appeal.

During the Chino Basin Storage Management Workshop Watermaster presented information regarding the storage framework workshop and requested feedback by the end of the month.

D. Cucamonga Basin Representative Report – Mr. Moorrees stated he would be putting together talking points for review by Cucamonga Valley Water District and West End Consolidated Water Company. He hopes to schedule a meeting for March to begin the process of modernizing the judgment.

E. Administration and Finance Committee (AFC) Chairman's Report – No meeting to report.

F. Planning, Resources, and Operations Committee (PROC) Chairman's Report – Director Willis reported all items discussed at the PROC meeting are included in the General Manager's Report.

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

6. General Manager's Report on Activities:

A. Chino Basin Water Conservation District – Mr. Moorrees advised this item is a receive and file agenda item. He explained he was contacted by the Executive Director of Chino Basin Water Conservation District (CBWCD) and asked to review the viability of the CBWCD's proposed development of a groundwater replenishment project. SAWCo staff offered to review the information and make comments.

The land is located at the confluence of the San Antonio Creek and Chino Creek in Chino Basin. CBWCD would like to have a feasibility study to determine the potential of the site. If the site isn't viable the land can be sold.

This information was brought to the PROC who directed it be presented to the Board.

- B. American Leak Detection (ALD)** – Mr. Moorrees presented a proposal to partner with American Leak Detection (ALD) with SAWCo's ongoing Leak Detection and Repair program and to introduce a proposed pilot program to install Flo monitoring devices for targeted high domestic water users.

Director Bob Cable entered the meeting at 5:03 p.m.

Mr. Moorrees explained more in depth about the Flo monitoring device pilot program.

Mr. Moorrees explained that SAWCo has not been successful in their attempts to partner with leak detection specialists/plumber for their Leak Detection program. ALD provides both indoor and outdoor leak detection and repair and has several units locally and throughout the State. The charge for leak detection is \$250 for two hours and \$125 for each additional hour of work. SAWCo's Leak Detection and Repair program provides payment for the leak detection and up to half the cost of repairs up to \$500.

Mr. Moorrees first recommended the Board approve utilizing ALD for the current Leak Detection and Repair program. Secondly, Mr. Moorrees recommended the Board provide comments and consideration for the implementation of the Flo monitoring device pilot program for those customers that participate in the Leak Detection and Repair program.

There was concern from the Board members that the Flo monitoring device for the pilot program only registered indoor leaks when most major water leaks are outdoors. As such, Director Elliott advised there was no inclination from the PROC to spend any monies on the device.

It was agreed that the Flo monitoring device pilot program would not be endorsed. Staff would advise customers with leaks that the device is available for purchase.

Director Sundell moved and Director Gerardi seconded to approve utilizing ALD for the current Leak Detection and Repair program. Motion carried.

- C. Entitlement Transfer** – Mr. Moorrees explained that the new Water Service Agreement (WSA) SAWCo has with the City of Upland, the City of Ontario, and Monte Vista Water District (MVWD) varies from the previous one. Under the previous WSA the entities paid the cost for receiving full entitlement each month regardless of the amount of water received. At the end of the calendar year the water accounts would be reconciled and if full entitlement wasn't taken SAWCo would transfer the variance from one of the three basins in which they hold water rights if available. The new WSA, effective July 1, 2017, does not guarantee full entitlement and charges the Tier 1 rate for water delivered until yearly entitlement is reached. Transfers will be made only from SAWCo's supplemental water accounts that were recharged during the calendar year.

Though the new WSA does not allow for delivery in excess of entitlement, SAWCo delivered 467.798AF more than the City of Upland's entitlement and 8.474AF more than MVWD's entitlement; each paid at the Tier 1 rate. This error occurred due to a variety of reasons such as a mid-year change in entitlements, sale of stored water and the effective date of the WSA being half way through the year. In addition, the City of Upland's supplemental use paid at the Tier 2 rate was delivered prior to the new WSA effective date and was requested by Upland to not be included in the entitlement calculation. The City of Upland also requested credit of the amount of water delivered from Upland's City Well 15 due to the inability to utilize the well for the second half of the year.

At the end of CY2017 SAWCo had facilitated full entitlement delivery for the City of Upland and MVWD. The City of Ontario has remaining entitlement of 62.086 acre feet (AF) and has agreed to purchase it at the Tier 1 rate from SAWCo's supplemental water account in Chino Basin.

Mr. Moorrees recommended the Board agree with the PROC and approve the transfer to the City of Ontario as presented.

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

- D. Personnel – Accounting Specialist Position** – Ms. Layton reported the Accounting and Personnel Specialist, Joni Ruggles' last day of work was Wednesday, February 14th. The close date for receiving applications for this open position was February 8th. SAWCo has received 52 applications which resulted in 10 invitations to interview with 8 applicants responding. Thirty rejection letters were sent and 12 possible interviewees have not been sent a response. The first round of interviews will begin this week. The anticipated start time is the end of March.

Mr. Moorrees commended Ms. Layton for taking on the majority of Ms. Ruggles job duties since her departure. Director Thomas expressed the Board's appreciation for Ms. Layton doing the extra work as well.

- E. SBCTA I-10 Corridor Project** – Mr. Moorrees presented this item for the Board to approve the Utility Agreement with the San Bernardino County Transportation Authority (SBCTA) for the active protection of SAWCo's facility within the scope of work for the I-10 Corridor project. The proposed work to widen the I-10 Freeway has potential conflicts with SAWCo's underground pipeline facilities that cross the freeway from their Well 12 location on the north side of the freeway down to Council Avenue in Ontario.

Staff met with the engineering consultant HNTB to coordinate pipeline conflicts with the proposed project. Subsequent discussion found there is no need for relocating the pipeline only a need for protecting the pipeline. SAWCo has prior rights therefore will not be responsible for paying for the protection of the pipeline and will receive reimbursement for the time they spent reviewing the project plans, attending meetings, and inspection.

Mr. Moorrees requested the Board approve the Utility Agreement for the SBCTA I-10 Corridor Project as approved as to form by legal counsel.

Director Cable moved and Director Gerardi seconded to approve the General Manager's request. Motion carried.

- F. Executive Recruitment** – Mr. Moorrees explained he was asked to provide assistance to the Board in replacing the executive position. He previously presented information to the PROC and is now bringing it to the full Board of Directors. It was advised that an AdHoc Committee be put together to further explore the options.

Mr. Moorrees offered several recommendations including a proposal for professional recruitment services from DeLoach & Associates, utilizing Ms. Layton as interim General Manager for a period of time and hire a new Assistant General Manager if that arrangement is working for SAWCo, or hire a new General Manager outside of the previous two recommendations. Mr. Moorrees asked that the Board consider employee morale when determining which route to take.

Director Thomas requested a copy of the General Manager's job description along with salary and benefits information. He suggested Director Elliott from the PROC and Director Cable from the AFC join him as members of the AdHoc committee. He also suggested a current employee of SAWCo

and the City of Upland be participants in the AdHoc Committee. The AdHoc Committee would meet to discuss the options and after deciding on a recommendation they would then bring it to the Board for approval. He feels the entire Board should be included in the interview panel.

Director Sanchez moved and Director Gerardi seconded to form the AdHoc Committee consisting of Director Thomas, Director Elliott, and Director Cable with the possible addition of a current SAWCo employee and City of Upland employee for the purpose of investigating the search firm options for the purpose of recruiting a candidate for the position of General Manager of SAWCo. The AdHoc Committee will bring all recommendations to the Board for final approval. Motion carried with Director Filippi opposing.

G. Project Status Report –

- **Holly Drive Reservoir – Site Improvements** – The environmental documents are being finalized.
- **WFA Pipeline Connection** – WFA does not want Well 31 water fed through the pipeline and there is concern with its connection to it. SAWCo will offer to sever the connection.
- **Basin 6 Desilting** – SAWCo has received the Army Corps of Engineering permit.
- **Cucamonga Basin – Desilting Project at Crosswalls** – SAWCo is expecting a permit by the following Wednesday.
- **Water Rights Investigation** – Activity – Closed Session meeting will be held later in the meeting to discuss this item.
- **Well 31 Biological Treatment** – The equipment is currently being dismantled.
- **Holly Drive Boosters** – SAWCo is awaiting a quote from KSM Electric. The booster enclosure has been designed. The Holly Hills Homeowners Association will be given an opportunity to make comments on the design. Surveying will be completed this week.

7. Closed Session:

Update on Water Rights Issue – Legal complaint filed in Mt. Baldy [§54956.9(c)].

The Board and staff recessed to closed session at 5:27 p.m.

The Board and staff returned at 5:54 p.m. and the Board meeting reconvened. Director Thomas advised no action was taken during closed session. Members from staff, special counsel and a member from the Board will meet with the State Water Resources Control Board next month regarding water rights issues.

8. Director's Comments and Future Agenda Items: Director Filippi inquired about a SAWCo facilities tour. Mr. Moorrees replied he would email tentative dates for the tour to all Board members.

Adjournment: Seeing no further business, the meeting was adjourned at 5:55 p.m.

The next Board Meeting will be held on Tuesday, March 20, 2018 at 5:00 p.m.

Assistant Secretary
Charles Moorrees