

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, July 17, 2018

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:01 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 Lisa Morgan-Perales and Craig Proctor with Inland Empire Utilities Agency (IEUA) in the audience. He noted they will be speaking during Item 6B on the agenda. Mr. Moorrees also thanked the Board for providing him with a retirement party.
- 2. Additions-Deletions to the Agenda: With representatives from IEUA in the audience, Mr. Moorrees advised he would begin the General Manager's report section of the meeting with Item 6B. He also added Item 6F, Equipment Failure, to the agenda.
- 3. Shareholder-Public Testimony: None.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of June 19, 2018.
 - B. Planning, Resources and Operations Committee (PROC) Meeting Minutes
No meeting minutes.
 - C. Administration and Finance committee (AFC) Meeting Minutes
Meeting minutes of April 24, 2018.
 - D. Financial Statement
*Revised March Income Statement [\$122.45 adjustment]
Income Statement and Balance Sheet for May 30, 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 – None.

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 PVPA meeting held the previous Wednesday. He stated there is little to no water being spread. The City of Pomona has completed weed abatement on the Claremont portion of land.

Holliday Rock is continuing to move forward with their application for a mining permit with the City of Claremont. Holliday Rock has a mining operations in Upland that extend up to the Los Angeles county line. They would like to mine as close to the channel as possible which crosses the San Bernardino/Los Angeles County line into Claremont. As such, they have taken the Claremont City Manager to the location they wish to mine to provide a visual of the proximity of mining to nearby homes. The mining is considered a benefit as the cities receive a mining tax from Holliday Rock as well as the ability to capture more water in the pits.

PVPA had further discussions on the Los Angeles County tax measure called the Safe, Clean Water Program which is a parcel tax for non-permeable ground that produces water runoff. The county supervisors will be voting on the measure and if the measure passes it will be included on the November voting ballot. PVPA owns land in Los Angeles County that could be subject to this tax even though their ground is permeable as it is used for spreading water. It appears as though the wording of the tax measure may prevent PVPA from extensive taxes as most of their property is permeable and does not cause water run-off.

- B. Six Basins Representative Report** – Mr. Moorrees reported on the June 27th Board meeting for Six Basins. During the meeting the Board approved the Hold Harmless Agreement between Watermaster and the Xerox Corporation for installing and monitoring transducers at the basin monitoring wells. The Board then also approved Three Valleys Municipal Water District (TVMWD) selection of Jericho Systems, Inc. as the Programmatic Environmental Impact Report (PEIR) Consultant. Watermaster presented a draft letter supporting Department of Water Resource Basin prioritization as presented by the State regarding the Sustainable Groundwater Management Act. The prioritization classified adjudicated basins as low priority.

Darron Paulson, President of the Six Basins Board, provided an update on the MS4 Permittees Collaboration.

Mr. Moorrees advised the Board it was the last meeting he would be attending as the Water Company's representative. Water Utility Superintendent, Tommy Hudspeth, is now the primary representative on the Six Basins Board and Ms. Teri Layton is the alternate representative.

A Strategic Planning Session was held after the Board meeting to discuss the plan implementation. They established the PEIR baseline assumption based on CY2013-2017 and 5-year dry period of CY2012-2016. Watermaster is to send out draft PEIR assumptions to parties for review and comment. They will also be updating the Groundwater Model. Golden State Water has plans for two new wells in the Claremont Heights and TVMWD plans for a new well in the Claremont Heights as well.

Director Thomas commented that all parties that attended the Six Basins meeting thanked Mr. Moorrees for all of his hard work.

- C. Chino Basin Representative Report** – Ms. Layton reported on the Safe Yield Court and appeal which was processed on July 16th. The Parties have reached an agreement regarding amendments to the Judgment and existing court-approved agreements to implement the Judgment. The Parties need trial court approval of the 2018 Amendments due to its continuing jurisdiction, but there is uncertainty regarding the trial court's jurisdiction to rule on matters embraced by the appeal. The Parties submitted their conundrum to the court to help settle the issue. SAWCo and the City of Upland are not the Parties involved with the appeal but there is concern on having the court approve amendments without all parties consent. The City of Upland and SAWCo are working together on this issue. A court hearing regarding staying the Judgment is still scheduled for September 14th.

Regarding the court hearing on the 40th annual report filing, Watermaster will be giving the court an update to keep the judge informed when filing the report. The court hearing is July 24, 2018 at 1:30pm at San Bernardino County Superior Court. The Agricultural Pool has filed a motion asking

the court to take the written report but not hear oral testimony. The thought is the oral testimony could affect the safe yield matter before the court. Watermaster has filed a motion in response.

Ms. Layton stated that as Pool Chair she has been very busy. She attended an Executive meeting on July 5th and had a lunch meeting today with the Watermaster General Manager and Vice Chair. She anticipates facilitating an Agricultural Pool meeting to help settle issues at Chino Basin. There is also a Pool meeting scheduled for this Thursday.

D. Cucamonga Basin Representative Report – Mr. Moorrees stated a meeting is scheduled for July 31st with Cucamonga Valley Water District (CVWD), the City of Upland, and SAWCo to discuss revising the Cucamonga Judgment.

E. Administration and Finance Committee (AFC) Chairman's Report – Director Sundell stated items discussed at the AFC meeting are included in the General Manager's report.

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

G. Executive Recruitment – Director Thomas advised interviews for the four candidates for the position of general manager will take place the following day at Red Hill Country Club.

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

6. General Manager's Report on Activities:

B. IEUA Water Rates & Charges – Mr. Moorrees reported that the information on IEUA's Water Rates & Charges to SAWCo to recover regional water program costs associated with administration of its water use efficiency programming was previously presented to the AFC. The fees are identified in IEUA's resolution adopting a Meter Equivalent Unit (MEU) rate. This rate is currently \$0.99 per MEU per month but will increase to \$1.04 per MEU per month beginning FY2019-2020. Based on the meter data provided to IEUA, SAWCo has a total MEU of 1,862 which equates to \$1,843.38 per month or \$22,120.56 per year for the 2018-2019 fiscal year. A chart of what other agencies are paying was included in the Board agenda packet.

The issue was discussed at the most recent AFC meeting to ascertain if there is any current or future value in continuing SAWCo's relationship with IEUA that would be worth the expense. The AFC referred the item to the Board with recommendation to have an IEUA representative attend to answer questions in order to weigh the cost benefit of their services.

Mr. Moorrees noted the IEUA partnered with SAWCo recently for Proposition 1 grant funding. However, if they partner again in the future SAWCo asks that they receive more assistance in following through on actually obtaining the grant monies. Some other benefits of IEUA membership are the Chino Water Bank and the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP). Mr. Moorrees stated the IEUA representatives can probably best describe how these fees will help SAWCo move forward in those areas.

Ms. Morgan-Perales and Mr. Proctor with IEUA addressed the Board regarding the MEU rate charge. Ms. Morgan-Perales gave a brief history of IEUA assessments and programs. SAWCo and another agency in IEUA's service district were overlooked when these assessments were established. In an attempt to be fair and equitable to all of their member agencies, IEUA is now approaching the agencies that have not been assessed in past years to begin paying the MEU charge.

Ms. Morgan-Perales stated she calculated a benefit analysis to better show the assistance SAWCo has received from IEUA and Metropolitan Water District (MWD) programs over the last 10 years. Her findings show SAWCo has received roughly \$230,000 in combined benefits. She also noted

that since 2002-2003 through all the benefits of the programs, SAWCo's service area has saved about 600 acre feet (AF) of water.

Director Thomas stated that one thing that has troubled the Board is that SAWCo does not have any direct connections to MWD or IEUA nor do they purchase any MWD or IEUA water.

Director Elliott questioned what SAWCo shareholders are receiving from IEUA for the MEU charge. Ms. Morgan-Perales replied in the area she oversees SAWCo receives conservation benefits from IEUA with no fees other than the property tax fee paid by San Antonio Heights property owners to MWD. Any grants she has applied for SAWCo has always been included in the programs.

Director Elliott requested specific benefits to SAWCo shareholders. Ms. Morgan-Perales listed the turf removal program in which IEUA added \$1 per square foot of turf removed to MWD's \$2 per square foot. She also identified the landscape design services program through partnership with Chino Basin Water Conservation District, residential pressure regulation (free pressure reducing valve) and the landscape retrofit program.

Ms. Layton stated MWD assesses a property tax on the San Antonio Heights property owners and questioned how much of those monies IEUA receives. Ms. Morgan-Perales stated IEUA does not receive any of those monies.

Mr. Moorrees pointed out Item 6D on the agenda is the conservation update which identifies the programs SAWCo participates in with IEUA.

Ms. Morgan-Perales also mentioned IEUA's local water resources programs, recycled water program, urban water management plans, regional drought plan, conjunctive use projects, and grants program.

Director Thomas questioned if SAWCo did not participate in the MEU charge would it mean they are excluded from access to the services mentioned. Ms. Morgan-Perales replied the charge is a board action and therefore those that do not pay the MEU charge will not receive IEUA benefits.

Director Thomas asked whether or not the other agency that has not paid the MEU charge up to this point has made a decision. Ms. Morgan-Perales advised they are still awaiting a response as the other agency is going through a managerial change at this time.

Director Thomas inquired about a timeframe for making a decision. Ms. Morgan-Perales stated the MEU charge took effect July 1, 2018. Agreeing to the charge any time after that date would require retroactive payment and would include retroactive services.

Director Filippi stated he would like time to discuss this topic with City of Upland Public Works Director, Rosemary Hoerning. He felt a decision could be made in 30 days.

Director Thomas questioned whether or not SAWCo could withdraw from paying the MEU charge after a certain period of time if they find they are not receiving enough benefit to justify the charge. Ms. Morgan-Perales replied that the wording of the resolution does not allow for such an option. SAWCo would need to take that request to the IEUA board for action.

Director Sanchez stated there are benefits that come from other funding sources. Some are coming from MWD and some from IEUA. Some of the regional benefits associated with conjunctive use and reclaimed water cannot be part of that tally to the extent that the basin is helped by those programs that then benefits everyone that depends on the basins. By virtue of payments via parcel tax to MWD SAWCo wouldn't be excluded from the MWD programs. For example the turf removal program that MWD offers a rebate for removal of grass.

Ms. Morgan-Perales advised SAWCo would not be eligible for the additional \$1 rebate IEUA offers in addition to MWD's rebate. They would, however, still be eligible for MWD's base rebate amount.

Director Sanchez then clarified the nearly \$230,000 worth of benefits SAWCo has received since 2002-2003 is the IEUA portion. Without participating in the IEUA program SAWCo can still participate in the MWD programs.

Ms. Morgan-Perales stated the relationship between MWD and their member agencies is through IEUA. If you do not have a relationship with IEUA you would not benefit from MWD programs. IEUA is a MWD member agency and MWD does not recognize non-member agencies.

Director Sanchez understood but stated there may be an issue if homeowners in the San Antonio Heights are paying a parcel tax to MWD and are unable to access the services that the tax was presumably charged to cover.

Ms. Layton stated she believed a homeowner could then apply for an exemption from the MWD parcel tax.

Director Sanchez felt that would be the next step if SAWCo chose not to participate in IEUA's MEU charge; especially since none of the homeowners are connected to MWD's system.

Director Thomas commented that, based on Ms. Morgan-Perales stating IEUA put in an extra \$1 for the turf removal program, two-thirds of the \$230,000 in benefits SAWCo received came from MWD programs of which the homeowners in San Antonio Heights pay for in property taxes.

Ms. Morgan-Perales clarified MWD pays \$1 per square foot of turf removal and IEUA contributes \$1 per square foot as well.

Director Thomas corrected his statement then to say that of the \$230,000 property owners in San Antonio Heights through their taxes probably paid for roughly half of it. He recommended the Board and staff study the information a bit more before taking action.

Director Sanchez encouraged asking SAWCo staff about non-monetary benefits of IEUA membership.

Mr. Moorrees described some benefits he attempted to access but didn't receive the type of assistance he expected. He felt accessing some of IEUA's grant program assistance in the future would be beneficial.

Director Thomas inquired whether other water districts and municipalities pass the MEU charge on to their customers or add it to their operating costs. Ms. Morgan-Perales replied she has a line item on her water bill from Cucamonga Valley Water District for the IEUA MEU charge.

Ms. Morgan-Perales and Mr. Proctor exited the meeting at 5:39 p.m.

- A. Whistle Blower Policy** – Mr. Moorrees explained this item is part of the Form 990 staff has been filling out. This policy provides a means through which all workers are able to raise any concerns with regard to malpractice, illegal, unethical, or otherwise underhanded practices in the work place. The item was presented to the PROC and Director Sanchez was kind enough to edit the policy.

Mr. Moorrees recommended the Board adopt the whistle blower policy as presented.

Director Sanchez moved and Director Elliott seconded to approve the general manager's recommendation. Motion carried.

- C. Stock Auction – October 2018** – Mr. Moorrees stated this item is to keep the Board apprised of the stock auctions to collect on bad debt. Since the implementation of the water availability charge many dormant shareholders have not been paying their bills. As such, there are currently 26 shareholder's stock certificates to be auctioned off. In order to manage the process efficiently, staff proposes to auction off 12 shareholder's stock in October of this year and the remaining 14 in May of 2019.

Director Thomas inquired as to how many total shares were being auctioned off. Ms. Layton replied all but one are quarter shares. The remaining one is one-half share which makes the total number of shares up for auction 3.25.

Mr. Moorrees recommended the Board approve the proposed stock auction and timeline as presented.

Director Elliott moved and Director Gerardi seconded the general manager's recommendation. Motion carried.

- D. Conservation Programs Update** – Mr. Moorrees presented the quarterly conservation update with a recommendation to receive and file. He suggested the item be placed on the Consent Calendar for future meetings.

Ms. Layton directed the Board's attention to the area titled "Local Assistance in meeting Best Management Practices" and advised the programs listed are ones IEUA helps fund. Director Thomas commented it didn't appear there were too many participants in those programs. Ms. Layton replied there may be a way to work with the City of Upland for assistance in water conservation programs.

Mr. Moorrees noted SAWCo has adopted identifying their own Best Management Practices rather than relying on other entities.

Director Thomas felt the conservation update was important enough to continue as a general manager report item.

There was consensus on the Board to receive and file the conservation update and to have it remain as an action item on the general manager's report on activities.

E. Project Status Report –

- **Cucamonga Basin – Desilting project at crosswalls** – Equipment was mobilized on Monday.
- **Forebay Surface Waterline** – All but the paving has been completed.
- **Edison Pond – New Sluice Gate Replacement** – Staff went through several reiterations of the trash gate. Once it is fabricated it will be installed.
- **Santa Rosa Waterline and 24th Street waterline installation** – Preconstruction meeting is schedule for the coming Friday. Notice to begin construction will be the following Monday.
- **Holly Drive Reservoir** – Expecting 90% submittals this week.
- **WFA Pipeline Connection** – Civiltec Engineering is working with WFA prior to beginning the project.
- **Basin 6 Desilting** – Staff is still awaiting the 401 permit. Staff hopes evaporation will cause them to not have to pump a lot of water out of the basin to start the project.
- **Water Rights Investigation – Activity** – Two items will be submitted at the next PROC meeting. City of Pomona has been asked to attend the meeting.
- **Well 31 Biological Treatment** – The new filtration system is in however the final product cost is not compatible with SAWCo's rates.
- **Holly Drive Boosters** – Final plans have been received and submitted to KSM Electric and HK to move forward with their proposals.

- **SCADA Upgrade** – The screen submittal and subsequent approval is expected by the end of August. Equipment installation and start up is expected to be completed by October 4th.
- **Reservoir 7 Rehabilitation** – A kick off meeting with Civiltec Engineering was held earlier in the day for reservoir 7 which is budgeted to be constructed this year.
- **Campus Avenue Waterline** – Waterline design for Campus Avenue is budgeted for this year with actual construction of the waterline is budgeted for the following year.
- **I-10 Corridor Project** – San Bernardino Transportation Authority is appraising the property for a temporary construction easement. Staff will bring the item to the PROC.

F. Equipment Failure – Mr. Moorrees advised the Board that the motor for Well 24 blew up. A rebuilt motor will be roughly \$17,000, a new motor will be roughly \$27,000. Staff advised KSM to repair/rebuild the old motor for SAWCo to keep in stock and ordered a new one to replace the old one.

The air conditioning unit at Well 27A and Booster 1 has also failed. Staff is currently obtaining a quote to replace the unit. The cost will be brought to the Board for ratification as the matter needs to be fixed as soon as possible.

Mr. Moorrees asked the Board to ratify up to \$70,000 to repair and replace the motor for Well 24 and to replace the old air conditioning unit at Well 27A and Booster 1. He will bring the final figures to the PROC

Director Cable moved and Director Sanchez seconded to approve the general manager's recommendation. Motion carried by voice vote.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items:

Director Filippi updated the Board and staff on some notable happenings with the City of Upland. These included the workshop regarding a possible soccer complex north of the 210 freeway between Benson Avenue and the Holliday Rock conveyor, the retirement of Jeff Zwack, and the swearing in of the new police Chief Darren Goodman.

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

The next Board Meeting will be held on Tuesday, August 21, 2018 at 5:00 p.m.

Assistant Secretary
Charles Moorrees