

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, December 15, 2020

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was held virtually and called to order at 5:00 p.m. on the above date. Directors present were Tom Thomas, Will Elliott, Rudy Zuniga, Gino Filippi, Bob Cable, and Jose Sanchez. Also in attendance were City of Upland Interim Public Works Director Steve Nix, and SAWCo's General Manager Brian Lee and Assistant General Manager Teri Layton. Director Thomas presided.

1. Recognitions and Presentations: None.

2. Additions-Deletions to the Agenda: None.

Gina Calderon from RSG entered the meeting.

3. Shareholder-Public Testimony: None.

4. Consent Calendar Items:

A. Approval of Board Meeting Minutes

Regular Meeting Minutes of November 17, 2020.

B. Planning, Resources and Operations Committee (PROC) Meeting Minutes

No meeting minutes to approve.

C. Administration and Finance committee (AFC) Meeting Minutes

Meeting minutes of September 22, 2020.

D. Financial Statement

Income Statement and Balance Sheet for October 31, 2020.

E. Investment Activity Report

Monthly Report of Investments Activity.

F. Water Production and Consumption

Monthly water production and consumption figures.

G. Prominent Issues Update

Status summaries on certain on-going active issues.

H. Projects and Operations Update

Status summaries on projects and operations matters.

Groundwater level patterns (Quarterly in January, April, July, and October)

Tracking patterns of groundwater elevations relative to ground surface

J. Conservation Program Update (Quarterly in January, April, July, and October)

Update on SAWCo's existing water conservation programs

C. Correspondence of Interest

Director Cable moved and Director Sanchez seconded to approve the Consent Calendar as presented. Motion carried unanimously.

Director Cable commented on Items 4D, 4F, and 4H of the Consent Calendar. He asked that the payment of \$343,000 from the City of Upland for the Benson Avenue property shown in Item 4D be earmarked for replacing SAWCo's office and yard facilities. It was agreed the item would be placed on the next AFC meeting agenda. Director Cable then asked for clarification on the water production versus projected end of year consumption as it appeared production was down 2.2% but projected consumption is 97.1%. Mr. Lee explained that the 2.2% was actually showing that SAWCo shareholders consumed 2.2% more water than it produced. The variance is attributed to meter reads and current meter change outs should help reduce the margin between production and consumption. Regarding Item 4H, Director Cable questioned the projected costs of the projects to their actual costs. Mr. Lee answered that some of the differences in costs can be contributed to engineering estimates however, the projects listed in Item 4H often had variances due to increases in material costs from 2019 to 2020 due to production issues and material procurement due to COVID-19. Projects also ended up being a little more complicated to complete than originally anticipated.

5. Board Committee – Delegate Report:

A. **Pomona Valley Protective Association (PVPA) Representative's Report** – Director Thomas stated there is virtually no water being spread.

The fate of the National Monument, H.R. 116-385 will depend on whomever replaces Kamala Harris as her office was the main contact for PVPA. There is hopes of contacting Congresswoman Judy Chu prior to her rewrite of her National Parks bill to ensure private land is not included.

There are delays with the City of Claremont in the process of placing a kiosk at the entrance of the Claremont Wilderness Park Loop.

- B. Six Basins Representative Report** – Ms. Layton reported the meeting was held earlier in the day in which the approval of the additional funds of \$52,720 to update the Draft PEIR to increase the size of a recharge basin for PVPA was approved. The project originally called for a recharge basin of 25 acres with a depth of 20 feet but now calls for 50 acres with a depth of roughly 200 feet. Holliday Rock will be performing the work at no cost.

During November's meeting a five year extension to continue watermaster services with what is now known as West Yost Associates (formerly Wildermuth Environmental, Inc.) was approved. The Operating Safe Yield (OSY) for 2021 was adopted and the budget and assessment for 2021 was also approved.

Staff was able to facilitate the sale of stored water to the City of Pomona with the price consistent with last year's sale. As such, SAWCo will not lose any of their stored water this year. Staff plans to approach watermaster this year to discuss the possibility of increasing SAWCo's storage account.

Director Thomas advised that PVPA had again contributed \$150,000 towards projects in the San Antonio Spreading Grounds. This amount will provide the nearly \$53,000 needed for the Draft PEIR update as well as \$97,000 more worth of projects.

- C. Chino Basin Representative Report** – Mr. Lee reported there is continued discussion regarding the payment of the Agricultural Pool's legal fees. In November the judge ordered both parties to a 90-day mediation. The order for mediation has now brought up the question of who will pay the Agricultural Pool's mediation fees. The watermaster budget for 2021 includes \$500,000 solely for the purpose of paying the Agricultural Pool's legal fees. This amount is substantially higher than what has been budgeted in past years and there are concerns with the procedure used and the validity of rolling the mediation fees into the amount approved.

At the hearing held the previous Friday the judge asked the Agricultural Pool to respond to the Appropriative Pool's update that there has not been an agreement on who pays the Agricultural Pool's legal fees. The Agricultural Pool was given two weeks to respond to the judge advising whether or not they want to mediate and if they do, why they believe the Appropriative Pool should pay the mediation fees. An early January court date was set to resolve these issues.

- D. Cucamonga Basin Representative Report** – Ms. Layton reported the working group met on December 1st. They are awaiting the signed Terms of Reference document from Cucamonga Valley Water District (CVWD) or comments for possible revisions.

The group discussed and agreed on the proposed timetable to go out to bid for a new engineer beginning early 2021. They are still waiting for CVWD's new engineer to complete the geotechnical work of modernization the judgment.

The group will meet again January 5th.

- E. Administration and Finance Committee (AFC) Chairman's Report** – Director Sanchez stated all items discussed at the November 24th meeting are included under the General Manager's Report on Activities.

- 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. Award of Contracts for Frankish Tunnel Improvements** – Mr. Lee reported the bid opening took place earlier in the week. The project was budgeted at \$50,000 however the engineer's estimate came in at \$164,700. The low bid on the project came in at \$94,830 from CP Construction who has a long and positive history working with SAWCo.

Mr. Lee recommended the Board approve awarding the construction contract for the Frankish Tunnel Improvements to C.P. Construction for a not to exceed amount of \$94,830.

Director Elliott moved and Director Cable seconded to award the construction contract for the Frankish Tunnel Improvements in the not to exceed amount of \$94,830 to C.P Construction. Motion carried unanimously.

- B. Award of Contracts for 2020 Small Pipelines Replacement Project** – Mr. Lee stated the bid opening for the project took place earlier in the week. Again the project was budgeted for less than the engineer's estimate. C.P. Construction was again the lowest responsible bidder on the project at \$547,135.

Mr. Lee recommended the Board approve awarding the construction contract for the 2020 Small Pipelines Replacement Project to C.P. Construction for a not to exceed amount of \$547,135.

Director Elliott moved and Director Zuniga seconded to award the construction contract for the 2020 Small Pipelines Replacement Project to C.P. Construction for a not to exceed amount of \$547,135. Motion carried unanimously.

- C. Approval of Compensation and Benefits Study** – Mr. Lee advised the item was brought to the AFC in November for discussion and possible recommendation to the Board. The AFC recommended the item to the Board for discussion. Mr. Lee recommend the Board approve the Compensation and Benefits Study provided by RSG and implement the changes to salary ranges. Ms. Gina Calderon with RSG was available for any questions or concerns.

There was discussion about whether or not the change in salary range would have an impact on any current employees. It was clarified that any change in salary range will only come into play during merit increases.

Director Sanchez also pointed out the company organizational chart showed two vacant position but confirmed they were not positions currently looking to be filled but positions available for promotion of current staff. He also mentioned that though the benefits package currently offered is to remain in effect, the AFC was to discuss additional revenue neutral offerings. Staff is to look at the comparative offerings in the study and bring ideas to the Committee.

Director Sanchez moved and Director Elliott seconded to adopt the Benefit and Compensation Study as present by RSG. Motion carried unanimously.

Ms. Calderon exited the meeting.

- D. Approval of 2021 Employee Health Benefits** – Mr. Lee reported the employee health benefits renewal was reviewed and discussed at the November AFC meeting. The premium increases for 2021 renewal are substantially lower than in previous years. The reason for this is the fact that many routine surgeries and preventative care did not happen in 2020 and the trend is expected to continue into 2021. Renewal rates for 2022 are expected to be in the double digits to account for the number of these types of surgeries and care picking up again.

Director Elliott moved and Director Cable seconded to approve the Employee Health and Welfare Benefits package as presented. Motion carried unanimously.

- E. Approval of 2021 Budget** – Mr. Lee advised the budget has been tightened up since the Board Budget Workshop that took place in early December. The draft budget included in the meeting packet reflects the two projects approved earlier in the meeting and a 10% buffer was added for any unforeseen costs. Reduced use of financial reserves is expected due to the engineering budget being high for the projects approved earlier in the meeting. Mr. Lee suggested taking one of the higher priority projects from the Water Master Plan once completed and adding it to the current project list during the mid-year budget review.

Director Filippi expressed concerns about the proposed legal budget for 2021. Mr. Lee replied he plans to send out an RFQ for legal services in 2021. SAWCo will not be removing its current legal counsel but getting another legal counsel up to speed comes with a cost. Also, catching up with the dealings in Chino Basin Watermaster have required considerable contact with legal counsel. In 2020 the Employee Handbook was updated and required considerable legal review as well as a cellular lease agreement. Southern California Edison may sell their hydroelectric plant in the San Antonio Canyon which has also been cause for legal review. Ms. Layton also stated legal review will be needed for the Cucamonga Basin judgment modernization. Director Zuniga inquired as to whether the AFC can review this budget item. Director Thomas stated the 2020 showed a figure of roughly the same amount for legal services that is budgeted for 2021. Director Sanchez asked for regular reporting of legal expenses as a way to monitor the amount being spent.

Director Sanchez moved and Director Elliott seconded the adoption of the 2021 Budget as presented. Motion carried 5 to 1 with Director Filippi opposing.

- F. Company Response to COVID-19** – Mr. Lee reported that due to the increase in hospitalizations and stay-at-home orders, SAWCo is working with only two employees in the office at a time and has purchased 3 laptops and 3 headsets for use at home by office staff. IT will be setting up virtual phone numbers so while at home office staff can make and receive calls.

7. Closed Session: None

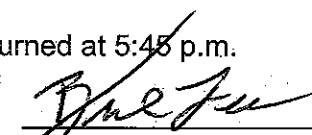
- 8. Director's Comments and Future Agenda Items:** Director Filippi commented SAWCo staff was very responsive to a shareholder with meter issues. He advised the contracted employee involved was not wearing a mask when he approached the home. Mr. Lee stated he has advised the contracted company of the need to follow COVID requirements and will continue to make them aware of that fact.

Director Sanchez reemphasized the need to revisit the financial reporting. An email was sent out with some notes and he would like to keep the process moving forward.

Director Thomas wished everyone Happy Holidays and a Happy New Year.

Adjournment:

With no further business to discuss the meeting was adjourned at 5:45 p.m.



Assistant Secretary
Brian Lee