

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, November 19, 2019

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, Jose Sanchez, Will Elliott, Bob Cable, Gino Filippi, Martha Goss, and Rudy Zuniga. Also in attendance were SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Director Thomas presided.

- Salute to the Flag
- 1. Recognitions and Presentations: None.
- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: Public Works Director, City Engineer, and Interim City Manager Rosemary Hoerning spoke regarding concerns City of Upland councilmembers have about SAWCo's proposed centralized office building on 17th Street and Benson Avenue.
- 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of October 15, 2019.
 - 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 August 27, 2019.
 - D. Ad Hoc Office and Yard Relocation Committee
Meeting Minutes of September 26, 2019.
 - E. Financial Statement
Income Statement and Balance Sheet for September 30, 2019 and year-to-date.
 - F. Investment Activity Report
Monthly Report of Investments Activity.
 - G. Water Production and Consumption
Monthly water production and consumption figures.
 - H. Prominent Issues Update
Status summaries on certain on-going active issues.
 - I. Projects and Operations Update
Status summaries on projects and operations matters.
 - J. Groundwater Level patterns [Quarterly in January, April, July, and October]
Tracking patterns of groundwater elevations relative to ground surface.
 - K. Correspondence of Interest

Director Cable requested pulling Item 4F for comment.

Director Zuniga moved and Director Goss seconded to approve the Consent Calendar sans Item 4F. Motion carried.

Director Cable noted Item 4F indicates there are some investments the company has that are earning only 0.35% return. He suggested looking into moving some of these funds to maximize the return on investment.

Director Cable moved and Director Goss seconded to approve Item 4F. Motion carried.

5. Board Committee – Delegate Report:

A. Pomona Valley Protective Association (PVPA) Representative’s Report – Director Thomas reported the PVPA held their annual meeting the previous Wednesday.

At the Stockholder’s Meeting the proxies had been tallied and there were no changes in directors from the previous year.

During the Director’s Meeting it was determined that William McDonald will continue to serve as president, Tom Thomas as vice president, and Stephen Yoss as the secretary/treasurer. Mr. Thomas remains chair of the real estate committee and is also on the finance committee.

Ms. Rosemary Hoerning advised during the Consumer’s Meeting that the fencing around the Padua property in Claremont had been completed.

B. Six Basins Representative Report – Mr. Lee advised Six Basins is attempting to maximize return on municipal storm water projects.

The budget and safe yield for 2020 were discussed and will be voted on at the upcoming meeting. Safe yield is projected to stay at 13,000 acre feet (AF).

C. Chino Basin Representative Report – Ms. Layton reported staff attended the November 6th storage management plan workshop where they expressed several concerns regarding the plan. Staff was also able to listen in for an hour of the discussions at the November 13th workshop. Watermaster has requested written comments by November 20th.

The 2019-2020 Assessment Package will go to the Board for approval later in the week. Staff anticipates their annual assessment to be \$74,000 minus recharge debt payment. SAWCo has a \$7,821.08 credit due them as a result of revision of past assessment packages that will be applied to their 2019-2020 assessment.

Wildermuth Environmental, Inc. will be holding a 2020 Safe Yield Reset Technical Peer Review at their office on December 9th from 10 a.m. to 2 p.m. Mr. Lee plans to attend this event.

The Rules and Regulations are intended to be a one stop for parties to know what has been decided in court. There have been some court decisions made since the last update. Unfortunately, this also starts a legal battle of words on how it is presented. While not all of the parties were in agreement, the update to the rules and regulations was approved by the Board in October.

Paragraph 36 is another issue that not all of the parties agreed on. SAWCo voted in opposition due to the fact that the Appropriators pay the Agricultural Pool’s expenses per previous agreement and the fact that the Agricultural Pool’s expenses previously had an annual cap on the amount they could receive for attending meetings. The Board approved this amendment and it is on the court’s docket for December 13th.

The Agricultural Pool wishes to amend their pooling plan but are looking at amending more than Paragraph 36. The Agricultural Pool is adding in language that is in the Peace Agreement which requires the Appropriative Pool to pay the Agricultural Pool’s assessment packages. This item will likely go before the court on December 13th. There are continued closed session discussions on this topic.

Director Filippi inquired about the possibility of enhancing SAWCo’s financial condition by increasing water recharge in the basin and how that might interface with the Storage Management Plan.

Ms. Layton responded that when SAWCo puts water in the basin it credits their water storage account in the basin. There are past agreements that the parties are obligated to meet such as the

Desalter Replenishment Agreement. The extra water put into the basin can go towards those obligations so that SAWCo does not have to reduce the amount of water they pump out of the basin. This additional water can also be sold to shareholders whether by agreement or to meet entitlement obligations.

Director Filippi stated he would like to discuss further with Mr. Lee how to enhance the bottom line of the organization by selling more water or treating wellhead water. He advised he is aware of a shareholder that is looking for more input and income from SAWCo.

Ms. Layton advised SAWCo put in as much water as their Storage Agreement would allow them to.

Mr. Lee stated his desire to create a conjunctive use project as a possible storage opportunity for drought stabilization.

- D. Cucamonga Basin Representative Report** – Ms. Layton reported the working group did not meet in November. The decision was made to push the next meeting to December to allow TKE Engineering time to draft the comments into a revised document.

The next meeting is scheduled for December 10, 2019.

- E. Administration and Finance Committee (AFC) Chairman's Report** – Director Sanchez reported the AFC met recently and three of the items discussed at the meetings are on the agenda. The Committee is continuing to work on the investment and reserve policies and some financial reporting improvements. The Committee is also considering high level financial ratios to give the Company a clearer picture of how they are doing financially.

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

- G. Office Feasibility Study Ad Hoc Committee** – Mr. Lee reported that in response to concerns from a few shareholders, the Committee decided to take a step back and look at additional options for its office and yard relocation project.

Director Filippi brought Mr. Lee's attention to the schedule dates on the office relocation project worksheet. It was agreed the dates would be looked at when the item came up on the agenda.

6. General Manager's Report on Activities:

- A. Chino Basin Watermaster Update** – Peter Kavounas, general manager of Chino Basin Watermaster, provided a PowerPoint Presentation on the history and functionality of Chino Basin Watermaster.

- B. Annual Review of Employee Health Benefits** – Ms. Melissa Calabretta with JLR Insurance Services provided a presentation advising of the costs and offerings of SAWCo current employee health and welfare benefits package in comparison to costs and offerings of comparable Affordable Health Care Act (ACA) plans. She noted that SAWCo's grandfathered plan rate progression over the years has continuously been roughly half, to less than half, the amount that comparable ACA plans have increased. Grandfathered plans such as the one SAWCo has continue to be protected from any material changes to benefits.

Director Goss moved and Director Cable seconded to approve maintaining the Company's current employee health and welfare benefits package. Motion carried unanimously.

- C. Office and Operation Yard Facilities Budgetary Exploratory Review** – Mr. Lee reiterated the item is a broader look at the options and the needs the company has in combining and relocating its office and yard facilities. SAWCo is looking to work with the architect in securing a realtor, real estate appraiser, and engineering firm to complete assessments on property SAWCo owns and

properties available for purchase to help determine its needs, provide cost assessments, and conclude what the best options are for meeting those needs.

Mr. Lee advised the scope of services was reviewed and recommended by the Ad Hoc Committee and was shared with the shareholders that had expressed concern to SAWCo about the project. Of those that replied the feedback was positive. He stated he felt SAWCo was moving in the right direction in getting the questions presented by shareholders answered.

Director Thomas clarified SAWCo is proposing a feasibility study to bring all options to the table to determine whether or not they move forward with the office and yard relocation project and if so, in what direction.

Mr. Lee requested authorization to allocate up to \$40,000 to complete the items listed in the Scope of Services presented in the Board Meeting Agenda Packet. The completion of the services listed should provide the information needed to determine what the best option is for relocating the office and yard facilities.

Director Thomas mentioned a question from some shareholders was whether or not SAWCo has need for capital improvements that this money could be allocated to. He stated the budget for 2020 will be available shortly and will show where funds are allocated

Mr. Lee advised that when the Master Plan and Asset Management Plan is completed the full answer of capital costs will be known. This is expected in summer of 2020.

Director Thomas stated staff has been in the office for 90 years and the yard facility for even longer. Staff and the Board are looking to put any fears to rest and do what makes the best sense for the shareholders and the Company.

Mr. Lee advised SAWCo has enough revenue coming in to support the capital improvement projects for a significant number of years without considering rate increases. Current rates should cover the need for a number of years.

Director Sanchez stated the Scope of Services mentions expectations for company facilities and lays out office elements and site elements to include. He inquired whether or not part of the study is to validate whether or not those suggestions are appropriate based on the needs of the company.

Mr. Lee responded those items are expectations and the architect is to come back and validate whether or not those expectations are accurate or inaccurate. The expectations were derived from previous work with the architect.

Director Filippi requested assurance that the concerns of the shareholder this evening are communicated.

Director Thomas stated the Board and staff want to make certain the shareholders are comfortable with the process.

Director Cable moved and Director Goss seconded to approve authorizing the General Manager to execute a time-and-material contract with Claremont Environmental Design Group (CEDG) with a not-to-exceed amount of \$40,000. Motion carried with Director Filippi opposed.

- D. Discussion and Possible Action on Cucamonga Crosswalls Environmental Mitigation–** Mr. Lee advised mitigation work was to begin this year however bids for the work reached over \$500,000 for the five year effort. Staff worked to develop a plan that would provide the best value for the effort. This resulted in a reduction in the size of the project from 22 acres to 9 acres, removing

the basin floors from mitigation activity. Additionally, maintenance activity was reduced to two visits per year; prior to native seed drop and early in the growth season.

These new conditions reduced the first year proposal from \$200,000 to \$71,229.60; including pre-seed site prep, seeding and return visit maintenance. This amount is slightly higher than budgeted but is feasible and after renegotiating the area required for mitigation Mr. Lee feels time constraints prevent further delay.

Director Zuniga inquired how long SAWCo has known it needed to complete this work.

Mr. Lee responded he believes the permit was issued in 2018. There may have been some misunderstanding with the transition from the previous general manager to him on how far along the item was in being completed.

Director Filippi inquired where the County of San Bernardino was with this issue.

Mr. Lee replied the County has been wonderful. The County inspector has been working with the contractor and staff through the entire process and is very satisfied.

Mr. Lee requested the Board authorize the General Manager to execute a time and material contract with Natures Image for a not-to-exceed amount of \$71,230 for completion of initial seeding and first year maintenance of Crosswalls Site.

Director Cable moved and Director Sanchez seconded to authorize the General Manager to execute a time and material contract with Natures Image for a not-to-exceed amount of \$71,230 for completion of initial seeding and first year maintenance of Crosswalls Site. Motion carried.

- E. 2020 Activities Calendar** – Mr. Lee presented the calendar and advised the only change up from the previous year was having the AFC meetings begin in January instead of the PROC meetings. This is proposed so that AFC will meet in November in preparation for the many items that have calendar year renewals.

Director Elliott moved and Director Zuniga seconded to approve the 2020 Activities Calendar as presented. Motion carried unanimously.

- F. Board Gift – End of Year Luncheon** – Mr. Lee advised this item was brought to the AFC for discussion and possible recommendation to the full Board of Directors. The AFC recommended the Board approve a \$1,250 per employee gift with prorating calculated for part-time employees.

Director Thomas provided a brief history of the Board Gift.

Director Cable commented the Board Gift is not a guaranteed item. It is a year to year item that takes into consideration the budget status at the end of the year.

Director Cable also encouraged management to inform employees of the increase in costs of the benefit packages that have been renewed for them this coming year.

Director Elliott moved and Director Cable seconded to approve the Board Gift of \$1,250 for full time employees with a prorated amount for part-time employees. Motion carried unanimously.

Staff reminded the Board of the End of Year Luncheon taking place December 5th at 11:30 a.m.

7. Closed Session: None.

8. Director's Comments and Future Agenda Items: None.

Adjournment: Director Thomas announced a special Budget Board Workshop will be held on Wednesday, December 4, 2019 at 3:00 p.m. in the San Antonio Water Company boardroom. The next regular Board Meeting is scheduled for Tuesday, December 17, 2019 at 5:00 p.m.

With no further business to discuss, Director Thomas adjourned the meeting at 6:29 p.m.

Assistant Secretary
Brian Lee