

# SAN ANTONIO WATER COMPANY

## BOARD OF DIRECTORS ORGANIZATIONAL MEETING MINUTES

Tuesday, April 11, 2017

Immediately following the Annual Meeting of Shareholders of the Company, the Board of Directors met at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California at 7:09 p.m. Directors present were Tom Thomas, Will Elliott, Ken Willis, Sue Sundell, Bob Cable, Jose Sanchez, and Gino Filippi.

▪ Call to Order

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: Mr. Moorrees added Item 5M, Representatives for the Ad Hoc Committee, to the agenda.
3. Public Comments: None.
4. Organizational Activities:

Director Tom Thomas assigned the General Manager, Charles Moorrees, as temporary chairperson.

It was moved by Director Sundell and seconded by Director Elliott that Director Thomas hold the position of President. Motion carried.

Director Elliott requested the remainder of Item 4 be combined with Item 5 under one motion. There was a vacancy on the Ad Hoc Committee which the Board agreed Director Sanchez would fill.

Director Elliott moved, Director Cable seconded, and all Board members present approved the motion by voice vote. Motion carried.

The following is the result of these motions:

- A. President – Tom Thomas
  - B. Vice-President – Will Elliott
  - C. Secretary/Chief Financial Officer – Sue Sundell
5. Designations and Authorities:
- A. Representative to the Six Basins Watermaster – Charles Moorrees (primary) and Tommy Hudspeth (alternate) as representatives to the Six Basins Watermaster.
  - B. Representative to Chino Basin Pool and Advisory Committees – Teri Layton (primary) and Charles Moorrees (alternate) as representatives to the Chino Basin Pool and Advisory Committees.
  - C. Representative to Pomona Valley Protective Association (PVPA) – Tom Thomas (primary) as representative to the PVPA.
  - D. Assistant Secretary/Assistant Financial Officer – General Manager, Charles Moorrees as Assistant Secretary/Assistant Financial Officer.
  - E. Representatives for the Administration and Finance Committee (AFC) – Director Filippi, Director Sundell, and Director Cable. Director Sundell as chair of the committee.

- F. Representatives for the Planning, Resources, and Operations Committee (PROC) – Director Sanchez, Director Elliott, and Director Gerardi. Director Elliott as chair of the committee.
- G. Company General Counsel –Tom McPeters, Esq.
- H. Company Special Counsel – The firm Nossaman LLP.
- I. Company Auditor – Bowen, McBeth, Incorporated.
- J. Company Depositories - That Citizens Business Bank, Local Agency Investment Funds (LAIF) and any other qualifying financial institution (FDIC insured) that conforms with the Company's Investment Policy is designated for and as a valid depository for Company funds;
- K. Signatories for Company Checks, Withdrawals and Establishing Accounts – Any two (2) signatures, including that of the President, Vice President, Secretary/Chief Financial Officer, the General Manager or the Assistant General Manager are hereby authorized and required to sign checks, withdraw funds, and establish accounts on behalf of the Company with at least one Corporate Officer signing on any transaction greater than \$5,000, except for fund transfers between Company accounts or on routine payments for operations expense (e.g. electrical energy usage, taxes, et al.) and as otherwise granted under authority to the General Manager. In addition, the Accounting and Personnel Clerk has authority to transfer up to \$25,000 to facilitate payroll with provisions of internal accounting controls in place.;
- L. General Manager's expenditure authority limitation is \$50,000.  
[Note: Prior to October 20, 1997, the general manager's expenditure authority was limited to \$5,000. Due to the timely nature of certain repair needs, as well as the usual range of such costs, the Board acted to increase the expenditure authority limitation to \$50,000. This was done with the understanding that such necessary expenditures would be reported to the Board in a timely manner].

General Manager's authorized to execute professional service agreements.

[Note: On November 19<sup>th</sup> and December 17<sup>th</sup> of 2001, the general manager was authorized to approve and execute professional service agreements once they had been reviewed and approved by corporate counsel and after the Board's review and approval of funding. No such action may be taken on any agreement or amendment to an agreement that would cause the expenditure to exceed any prior Board approved funding authorization.]

- M. Representative for the Ad Hoc Committee – Director Thomas, Director Gerardi, and Director Sanchez
6. Review of Director's Fiduciary Duties and Liabilities: Mr. McPeters advised the new Board members that information they learned on the subject while serving for a city or other public agency is not the same when serving on SAWCo's board of directors. There are different rules for serving on a mutual water company board than serving for a public agency.
7. Conflict of Interest Rules for Directors: Mr. McPeters stated that the conflict of interest rules that the Board members are familiar with in a public sector do not apply in the private corporations. Disclosure of a monetary conflict is all that's required and does not need to be voted on. An example may be the sale of property by a director to the water company.

He also explained Assembly Bill 54 (AB54) requires new directors to obtain education via webinars in certain subject matters. Mr. Moorrees will send out webinar information to the new directors.

Mr. McPeters also advised the Board that the company is required to maintain reasonable financial reserves for repair of assets. The Board previously approved \$3 million as the target reserve amount.

8. Closed Session: The Board recessed to closed session at 7:20 p.m. with legal counsel Mr. McPeters and staff members Charles Moorrees, Teri Layton, and Tommy Hudspeth.

The Board, staff, and legal counsel returned from closed session at 7:50 p.m.

Adjournment: There being no further business Director Filippi moved and Director Elliott seconded to adjourn the meeting. Motion carried. The meeting was adjourned at 7:52 p.m.

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Assistant Secretary