

SAN ANTONIO WATER COMPANY
ADMINISTRATION and FINANCE COMMITTEE (AFC)
MINUTES

January 25, 2011

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:02 p.m. on the above date at the Company office located at 139 N. Euclid Ave., Upland, California. Committee Members present were Dr. Fred Gattas, Tom Thomas, Mark Hill, and Ken Willis. General Manager Charles Moorrees, and Assistant Manager of Finance and Administration Teri Layton were also in attendance. Mr. Willis presided.

1. Recognitions and Presentations: None.
2. Additions / Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes – Mr. Hill moved and Dr. Gattas seconded to approve the meeting minutes of November 30, 2010. Motion carried.
5. Administrative and Financial Issues:
 - A. **Grant Funding** – On the suggestion of Mr. Hill, SAWCo staff looked at the possibility of securing grant funding for the company. After looking into it, SAWCo found that the funding is only available for private non-profit 501c(3). SAWCo is a 501c(12) company and did not qualify at the time. Staff will continue to look in the future for grant opportunities.
 - B. **Record Notice of Stock Ownership** – Mr. Moorrees reported that in 2010 the Board directed staff to prepare a notice that would prevent properties in SAWCo's domestic system from transferring owners but not transferring shares. SAWCo engaged a title researcher to identify all of the legal property descriptions and property owners in the San Antonio Heights domestic service area. A searchable database has been created with the information obtained. The assessor parcel numbers are currently being entered into SAWCo's billing system. Legal counsel drafted a notice to be recorded with the County that will be picked up by any Title researcher identifying the property's requirement of stock ownership in order to obtain water delivery.

Dr. Gattas inquired at what time during a home sale is a title search done. Mr. Moorrees replied that it is done during escrow.

Mr. Moorrees recommended taking the record notice as drafted by SAWCo's legal counsel to the next Board meeting for approval.

There was consensus on the committee to follow the manager's recommendation.

Dr. Gattas questioned why the "record notice" only mentioned San Antonio Heights and not all areas served by SAWCo. Mr. Moorrees replied that this is the only area that SAWCo has domestic service. Mr. Thomas mentioned that there are a few old irrigators outside of that immediate area but once those properties change owners SAWCo is not responsible for providing water to them.

C. **401K Benefit Plan – Resolution No. 2011-01-01 401(K) Plan Document and TPA** – Mr. Moorrees reported that he is still receiving comments from SAWCo’s legal counsel on the plan document. He explained that this document is a template that is used by the third party administrator (TPA) to submit to the International Revenue Service (IRS) to approve as a qualified plan.

Mr. Moorrees reviewed the document with the committee. He pointed out that differences between this plan document and the one SAWCo would be under if they stayed with Southern California Mutual Water Association (SCMWA). Those changes would include SAWCo as the sponsor and the trustee and SAWCo’s classification changing. Eventually SAWCo will look at adding a safe harbor plan.

Mr. Thomas suggested a three year bond may be better than a one year for bonding the Trustee.

Robert Reeves (TPA) joined the meeting via conference call.

Mr. Moorrees question Mr. Reeves about employer contributions. Under Section 6 it is marked that the employer is not authorized to make employer contributions and for qualified non-elected contributions under the plan. Mr. Reeves replied that if SAWCo chooses to do so they have the ability to make additional contributions on top of the employer match that SAWCo currently utilizes.

Due to bad reception, Mr. Reeves was unable to answer all questions. It was agreed that any pending questions would be asked when Mr. Reeves visited SAWCo’s office later in the week.

The committee continued to discuss the slight differences this plan had from the SCMWA plan.

Mr. Moorrees stated that he would bring the corrected plan to the February Board meeting for approval.

6. Status report on Staff & Committee items:

A. **History Documentation** – Ms. Layton reported that Rauch Communications has completed the photographic digitizing of the vault documents as well as the interviews. They are near completion on the conversion of the documents to Word and PDF. The Optical Character Recognition (OCR) text had more artifacts and formatting problems than expected. This resulted in an additional \$4,550 to complete the project and over budget by \$2,190.00.

B. **Conservation Update** – Ms. Layton reported on a program in the works that involves Home Depot promoting drought tolerant plants in parking lots. Home Depot will be providing training to their sales associates on Inland Empire (IE) garden friendly plants. Professionals will give workshops or have an expert booth at local Home Depots and they will distribute in-store fliers promoting other workshops. Plant suppliers will identify IE garden friendly plants with a logo sticker. Local water agencies and cities are encouraged to promote plant sales with the logo. SAWCo will advertise this in their upcoming newsletter.

Ms. Layton stated that SAWCo budgeted to convert all of their water meters to data loggers in 2011. Currently, SAWCo has about 600 and will need roughly 600 more to convert all the domestic system over.

Mr. Willis mentioned the possibility of partnering with other agencies to approach Upland School Districts about bringing a drought tolerant garden to the high school. Ms. Layton replied that Inland Empire Utilities Agency (IEUA) has a program in place called Garden in Every School that does a similar thing for elementary schools. She stated she would have staff check with IEUA about expanding the program to high schools.

Ms. Layton also reported that SAWCo will be sending out letters to its highest users encouraging them to use water more efficiently and offering them a water audit. She also updated the committee on the SB7x7. Civiltec Engineering has the understanding that SAWCo will have to comply with this bill but SAWCo is currently seeking a legal opinion to opt out if possible.

7. Closed Session: None.
8. Committee Comments and Future Agenda Items: Ms. Layton stated that she spoke with the IRS legal counsel who stated that the standards for the guidance have been written. This means that the project has been completed on the IRS side. It has been partially approved. Two additional executive committees need to approve it before it is official. Once that portion is complete it will go to the Treasury and then to the Federal Register to be published. Timeframe for that is unknown.
9. Adjournment: - The committee determined there was no further business and adjourned the meeting at 4:20 p.m.

Assistant Secretary
Charles Moorrees