

SAN ANTONIO WATER COMPANY
ADMINISTRATION and FINANCE COMMITTEE (AFC)
MINUTES
March 30, 2010

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:07 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, Mark Hill, and Tom Thomas. General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton were also in attendance. Mr. Thomas 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 January 26, 2010. Motion carried.
5. Administrative and Financial Issues:
November 2009 Stock Auction Proceeds – At the last Board meeting there was a question whether we could collect interest on the money collected from the Stock Auction in November 2009 if we were to hold on to the money for three years. Legal counsel responded that there may possibly be some restrictions regarding what to do with held funds in professions that are subject to State regulation, licenses, e.g. real estate brokers. It was determined that SAWCo is not subject to any special regulation or licensing by the State.

In September 2008, legal counsel performed address checks on the outstanding shareholders for updated addresses. Because the longer we wait to send a letter to the shareholders, the greater the possibility of them moving, staff suggests the following timeline:

- April 9, 2010 – Send letter to last known address to inform shareholder of proceeds owed to them.
- November 9, 2011 – Final letter to shareholder to claim money or SAWCo will send to State
- May 9, 2012 – Complete form and send to the State
- November 9, 2012 – Remittance and money sent to the State

Dr. Gattas moved and Mr. Hill seconded to hold on to the proceeds of the November 2009 Stock Auction as long as possible while collecting interest and proceed with the process. Motion carried.

Stock Auction Procedure – The Company held a stock auction on November 9, 2009 in which money was collected for old outstanding water charges. At the AFC meeting in November, staff reported that in the future we will have stockholders owing money and indicated an established procedure would be desirable on how dealing with delinquent accounts. At the time there were a lot of unanswered questions that delayed this issue until staff obtained more information on the legalities of an auction or lottery.

At the December 2009 Board meeting, legal counsel answered the questions about the lottery or auction. It was determined that the auction fulfilled the legal requirements in accordance to the Commercial Code which governs procedures for collecting debt to yield the highest price for the collateral that was being foreclosed.

It is important that the following criteria be met before a stock is presented for auction:

- a. Customer has moved out of area owing money
- b. Their residence in the service area is sold or foreclosed
- c. The new homeowners have acquired stock on their own to be applied to the house. Ms. Layton stated that legal counsel Mr. McPeters reported this criteria (c) is not necessary that once the house is sold or foreclosed the person does not have claim to that stock any longer. It was agreed to remove this criteria.

Once the above the criteria have been met, staff proposes the following procedure:

- a. Research for current address on shareholders and pledgees
- b. Send letter to shareholder indicating money owed and provide a timeframe to pay before their stock is processed for auction.
- c. After timeline, proceed with stock auction by sending letter & notice of inviting sealed bids to those shareholders/pledgees with liens.
- d. A month later, send advertisement to current shareholders(separate mailing)
- e. A month before stock auction, put advertisement in legal notice section of newspaper.
- f. A month later have stock auction.

This would be an annual process. Ms. Layton stated she will bring forth a current list of shareholders that would qualify for this procedure at the next AFC meeting. Mr. Hill moved and Dr. Gattas seconded to approve the described procedure and recommend to the Board for collecting unpaid water bills through the use of a stock auction. Motion carried.

History Documentation Proposal – The Board approved a budget to complete the Company’s history documentation from 1947 to the present. In January, the Committee recommended that Staff conduct an “in-vault” review with Rauch Communication Consultants (RCC) to determine a more accurate cost involved in producing a corporate chronological history of events from 1947 to date.

On March 4, 2010, RCC reviewed the “in vault” material with staff and performed some basic scans of the documents to ascertain the work involved in developing the history documentation. Utilizing a software program back at their office they were able to automate the reassembly of the Company’s minute books and converted the to a fully searchable Word documents. This process also overlaps our goal to digitize the Company’s documents.

Staff presented a cost proposal of \$17,690 from RCC. This is slightly over the budgeted amount of \$15,000 but includes some digitalizing of Board minutes which integrate with the budgeted document imaging project. Mr. Moorrees stated he enjoyed working with Rauch and that his figure is conservative and may end up costing less. Mr. Thomas asked if Rauch was going to digitalize the Reynold’s report which is the history from 1882 to 1947. Ms. Layton stated it was not part of the work but we could include a change order at a later date. Mr. Hill moved and Dr. Gattas seconded to recommend to the Board to authorize and execute a contract with Rauch in amount of \$17,690 and budget \$20,000 for the project which would allow the Board to get a cost to digitalize the history from 1882 to 1947. Motion carried

Disposal of old assets – The Company currently has no procedures or regulations on disposing equipment that has a value less than its useful life. A spreadsheet was presented of equipment currently not used and stored in the Company’s storage shed and scheduled for disposal.

Options presented are identified as follows:

- Donate the equipment
- Sell the equipment
- Throw away equipment

Mr. Thomas recommended seeing if anyone could use the stuff, donate what you can and then if there is value to the item, sell it and anything left throw away. Dr. Gattas suggested contacting the Senior Computer Club of Claremont (non-profit) to see if they may be interested in any of the items. Mr. Thomas stated when possible to stay within the service area for donations. Mr. Thomas suggested speaking with Kathy at the Upland Library desk or Jeff Bloom with the City of Upland for possible local entities for the donations. The Cooper museum is another option. Mr. Thomas suggested a recommendation to the Board to have the General Manager exercise his best judgment on disposing of the listed assets.

End of the Year Luncheon – Mr. Moorrees reported that staff recommended going to Sycamore Inn for this year’s end of year luncheon. It was decided to have the luncheon at the Sycamore Inn on December 8, 2010. Staff will arrange to reserve a room .

Title Research Proposal – There have been several discussions on developing strategies to reduce the risk a home sold in the San Antonio Heights without a shareholding for water service.

Our current strategy developed with legal counsel is to file a notice of water service requirement with the County recorder outlining the conditions for water service or restriction on the transfer of real property [i.e. ownership of SAWCo shares]. The idea is for the notice to show up on title reports issued in connection with pending sales and hopefully cause a purchaser to make sure that stock was obtained as part of the sale.

A careful crafting of this notice by legal counsel giving notice of a requirement for transfer of certain real property that must have water stock to receive water service is necessary for a title company to pick up and report to escrow. This way a lender should also see the notice and include any SAWCo shares in the Deed of Trust so that foreclosures would pass title of shares as well as the property.

In developing this process we need to identify the tracts to be listed on the notice for the title researchers to pick. Mr. Bob Reid was utilized effectively in providing the title research for the Water Company's water rights investigation in the San Antonio Canyon Watershed.

Whatever form the subsequent notice takes, this strategy may not be 100% effective, but over a period of time will increase as title companies practice problem avoidance as a matter of economy. Mr. Thomas inquired about the cost. It was explained that this work would be a one-time cost that would hopefully help identify stock as a necessity in order to obtain water to a house just purchased.

Mr. Thomas moved and Mr. Hill seconded to recommend the Board approve a proposal by Bob Reid to identify the tracts and lots in the Water Company's service area to establish a listing for notices in the amount not to exceed \$7,500. Motion carried.

Mr. Hill asked if we have encouraged potential stock buyers to lease shares. Ms. Layton explained that we now have a list of sellers. In the past, staff generated a list of buyers but it makes no sense to have both lists so staff will be sending letters to all the potential buyers stating we will no longer carry a list of buyers and provide them with the list of sellers.

Discussion ensued about the billing rates. Mr. Thomas stated maybe the company should consider a third tier. Mr. Hill suggested revisiting the fee schedule. Mr. Moorrees stated he would put it on the AFC agenda in July.

6. Status report on Staff & Committee items:

Record Document Imaging – Ms. Layton reported that this issue is on the back burner until the History Documentation project is completed since it will encompass some digitalizing of documents.

Conservation Update - Ms. Layton reported that recently the high efficiency clothes washer rebate increased from \$110 to \$160 effective March 15, 2010. Mr. Thomas asked who is funding these rebates. Ms. Layton replied it is through Inland Empire Utilities Agency (IEUA) and Metropolitan Water District. We direct our customers to IEUA for the rebate application and information. Mr. Thomas stated before we publicize any rebates, we would want to find out if there is enough money in this program to cover all requests since MWD has ran out of monies before.

Ms. Layton reported that two water audits have been performed since January of this year. Waterwise Consultants recently updated their audit reports to include water savings.

Customer On-line Payment Option and Phone Reminder – The option to pay bills on-line went into effect the beginning of March, 2010. Over 50 customers to date have used the new feature. The fee for this service to the company is 2.8% or \$1.00 minimum. There is no charge to the customer. This service currently takes credit cards only but we hope in the future to offer payment through the bank and e-billing.

Ms. Layton reported that automated phone reminders were started last August. We have used this service to inform customers of possible turn off for non-pay. Since utilizing this service, it has reduced the company's turn-offs. The cost is approximately 20 cents per call.

Personnel Update – Mr. Moorrees reported that the newest utility worker was terminated on March 2nd. Staff has recommended holding off on hiring at this time stating that staff is able to handle the work load. A training procedure was discussed with Operations Supervisor to help in standardizing the process of a new hire

Manager's informational items: June speaking engagement – Mr. Moorrees informed the Committee that he and Ms. Teri Layton have been invited to speak at the Upland Carnegie Library on Saturday, June 19, 2010 at 2pm. The subject of the presentation is a “historical review of the oldest company in town” The San Antonio Water Company.

AWWA Conference – On March 29 through April 1st, the American Water Works Association (AWWA) will be holding their spring conference in Hollywood. Teri will be volunteering one day at the event and Tommy will be attending the conference one day.

CRWA Conference – The California Rural Water Association (CRWA) is holding their conference in Tahoe, April 27 – 29, 2010. Mr. Moorrees reported he will be attending this event.

Reference on Ethics Laws – Mr. Moorrees came across some books in the company's safe on ethics laws and distributed them at the meeting for reference material for the committee members interested.

7. Committee Comments and Future Agenda Items: Mr. Hill asked if we have the company's 125th anniversary pictures on disk. Mr. Moorrees replied yes and he would get him a copy. Mr. Hill asked if he could get it emailed to him. Mr. Moorrees replied that it may be too large but indicated the company is considering a ftp site so you would be able to download board packets and perhaps this info. Mr. Thomas suggested looking at the social media 'Facebook.' It is very easy to load pictures on 'Facebook.'
8. Adjournment: - The committee determined there was no further business and adjourned the meeting at 4:10 p.m.

Assistant Secretary