

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

March 29, 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, and Mark Hill. SAWCo's General Manager Charles Moorrees and Assistant Manager of Finance and Administration Teri Layton, City of Upland's Public Works Director Anthony La and Sue Sundell were also in attendance. Mr. Thomas presided.

1. Recognitions and Presentations: None.
2. Additions / Deletions to the Agenda: Mr. Moorrees advised that during the closed session Mr. Fred Fudacz, SAWCo's special counsel, will be joining in via telephone.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes – Mr. Hill moved and Dr. Gattas seconded to approve the meeting minutes of January 25, 2011. Motion carried.
5. Administrative and Financial Issues:

A. *Company Holidays* – Mr. Moorrees stated that SAWCo's company holidays have been the same for the past 30 years. SAWCo's is now looking at how its observed company holidays match up with adjacent water agencies. When compiling the information, it was noted that most local agencies have Martin Luther King Day, Veteran's Day and in some cases Christmas Eve. Mr. Moorrees recommended the committee discuss and consider a recommendation for enhancing the Water Company's observed holiday schedule as appropriate.

Dr. Gattas commented that Memorial Day serves a similar purpose to that of Veteran's Day.

Mr. Hill moved to send to the Board for approval the addition of Martin Luther King Day as a full holiday and Christmas Eve as a half-day holiday to the company's holiday schedule. Dr. Gattas seconded. Motion carried.

Mr. Thomas questioned whether adding the holidays would cause any overtime for field staff. Mr. Moorrees stated that if it were to cause any overtime the only person it would affect would be the "on-call" field person. Ms. Layton stated there would be stand-by pay for holiday time. There would be a small increase for that but a small decrease for overhead costs. Mr. Moorrees offered to have the figures for overtime pay available at the next Board meeting.

B. *Tuition Reimbursement* – Mr. Moorrees reported that in 2007 when revising SAWCo's employee handbook, tuition reimbursement was set at a rate of \$1,500 for full time employees with over one year employment with the company, \$2,000 for one to five years of full time employment, and \$3,000 for greater than five years of full time employment. The employee is required to have a satisfactory completion of approved

courses with a 2.5 Grade Point Average or higher for reimbursement and the rates are set per calendar year.

A recent look into tuition fees shows an increase of about 19.7% from the previous year. About 44% increase from 2005.

Mr. Moorrees recommended the committee approve bringing to the Board an increase in tuition reimbursement. He suggested a rate of \$2,000 for full time employees with one year of employment, \$3,000 for one to five years of full time employment, and \$4,500 for greater than five years of full time employment.

Mr. Hill moved and Dr. Gattas seconded to approve the managers recommendation. Motion carried.

Mr. Hill suggested staff look into the possibility of giving out a scholarship to a San Antonio Heights resident for them to take classes relating to the water industry. Ms. Sundell suggested speaking with Cal Poly Pomona who might already have a program in place that SAWCo can join in.

It was agreed that the suggestion of a scholarship with a possible internship would be looked into and additional information would be brought to the next AFC meeting.

C. Cost of Living Increase – Mr. Moorrees stated that every year Rewards Strategy Group (RSG) researches the cost-of-living compensation adjustment to the company's base salary structure for the new calendar year. The LA/Orange County/Riverside Consumer Price Index has increased 1.6 percent in the 12 months from December 2009 to December 2010. The latest data on the Employment Cost Index (ECI) for the same area has a +1.3 percent change in wages/salaries for the most recent 12-month period reported (Sept. '09 to Sept. '10).

Mr. Moorrees clarified that the adjustment does not automatically give each employee an increase in their salary. The adjustment affects the pay range for their position.

Dr. Gattas did not agree with the figures provided by RSG. He stated the cost-of-living has increased by only 1.2% according to the Division of Labor Statics for California. Mr. Moorrees stated he would raise the issue of the differences in percent to RSG.

Dr. Gattas moved and Mr. Hill seconded to recommend the Board approve the cost of living increase to employee pay ranges in the amount of 1.2%. Motion carried.

D. Holly Drive Facilities – Mr. Moorrees reported that Holly Drive is located on the west side of 26th Street by Euclid Crescent West and is currently being service by a 6 inch pipeline, 60,000 gallon reservoir and a booster station. It is a closed looped private distribution system that is currently maintained by the water company.

Mr. Moorrees was unable to locate any records showing that SAWCo would deliver water to the Holly Drive facility nor approval and acceptance of the existing water facilities. Yet since its installation, SAWCo has been maintaining it. It was brought to Mr. Moorrees' attention when SAWCo made some repairs to the facilities and spoke with the president of the Holly Drive Home Owners Association (HOA) at that time who

questioned why the water company made the repairs when they don't own it. Mr. Moorrees did some research and found that the assets were never transferred over to SAWCo by the developer.

Mr. Moorrees is trying to get on Holly Drive HOA's agenda to speak with them in regards to this. He is also working closely with SAWCo's legal counsel to rectify the situation.

Dr. Gattas recommended SAWCo pursue this matter legally to resolve all issues. Mr. Thomas suggested getting all the information on the topic together such as costs for maintenance and energy and information from San Bernardino County before going forward. A closed session for potential litigation may be warranted.

E. History Documentation – Mr. Thomas commented that he was unable to find an index on the disc that he was given. Ms. Layton stated that the current format is just for printing. A separate software is needed to make it a searchable document. Mr. Thomas also questioned the news articles toward the end of the document being scanned sideways. Ms. Layton described how to rotate the articles.

Ms. Layton informed the committee that the meeting minutes from 1945 to 2010 had also been scanned and put on disc but she noticed in her review of the disc that information is missing.

The committee requested the names of the officers for each year be included in the History Documentation.

F. Water Service Agreements – Mr. Moorrees reported that in the past, SAWCo had several different license agreements with the City of Upland and the City of Ontario for the use of wells or pumping SAWCo's water rights. It was determined that those agreements were not in the best interest of the water company so they were eliminated and one global water service agreement was created. The new agreement allowed the shareholder to utilize their entire entitlement for the year. It allowed for owned shares, not leased shares. Currently, the City of Upland is making arrangements to lease or own by proxy a number of shares from a shareholder as has the City of Ontario. Mr. Moorrees advised that if the water service agreements are amended they will need to allow for leased shares as well as a determination as to when amendments would occur and be in effect.

Mr. Thomas inquired if the proposed agreement would be available for review by the next Board meeting to which Mr. Moorrees replied yes. Mr. Thomas asked if any committee members opposed the general manager bringing the final draft version to the next Board meeting. There was no opposition.

6. Status report on Staff & Committee items:

A. Image Documentation – Ms. Layton reported she received a demonstration for a document imaging program. She is uncertain of the benefits of the programs she has looked into at this time other than price.

B. Conservation Update – Ms. Layton reported on the Inland Empire Garden Friendly Save Water program. She explained that the local Home Depot is hosting a parking lot drought tolerant plant sale. The drought tolerant plants will have a tag on them showing

their drought tolerant status. This event has been promoted in SAWCo's recent newsletter and will be advertised in the May water bill mailing.

Ms. Layton also spoke to the committee about the Garden in Every School program. Ms. Layton was approached by Mr. Ken Willis about this program and wondered whether it included the local high school. Ms. Layton stated that Inland Empire Utilities Agency has a program that educates elementary school students and staff about wise water usage through gardening. Upland High School has been given grant money to put a garden in at the school. They are the second high school to receive funds for this purpose.

Ms. Layton reported that the Regional Residential Outdoor Landscape Survey program will run through the month of April until the funds are depleted. The current budget for the program has 300 retrofits budgeted. The contractor Valley Soil will conduct the landscape irrigation audit. They will replace existing controllers with weather based ones and will replace pop-up spray heads with rotating nozzles. As of the previous Friday, SAWCo has two customers that have made appointments for these audits.

Ms. Layton corrected her statement from the previous AFC meeting in which she stated that SAWCo had budgeted to upgrade all domestic meters to dataloggers. Dataloggers is a brand name for a type of meter. SAWCo will be using MXU's with interval data and they did not budget for those upgrades during this calendar year.

Ms. Layton reported on the SB7x7 water conservation bill which requires California to reduce water use by 20% by 2020. Retailers who do not comply will not be eligible for state grants or loans. SAWCo received a legal opinion to opt out of this provision and will be considered a wholesale water supplier for the most part as opposed to a retail water supplier.

7. Closed Session: Discussion of Water Rights Complaint against Ridgeway in the San Antonio Canyon (§54956.9 (c)) began at 4:09 p.m. and concluded at 4:25 p.m.

There was consensus on the committee to have the general manager make an informal call to the Department of Water Resources with regards to Mr. Paul Ridgeway's water diversion and to pursue legal action through to trial if necessary.

8. Committee Comments and Future Agenda Items: Dr. Gattas requested a Board workshop to discuss the new 401K plan. Mr. Moorrees stated that the plan has not changed. Dr. Gattas inquired as to what the payout was. It was recommended that Mr. Moorrees and Ms. Layton meet with Dr. Gattas to clarify SAWCo's 401K plan.
9. Adjournment: - The committee determined there was no further business and adjourned the meeting at 4:44 p.m.

Assistant Secretary
Charles Moorrees