

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

April 24, 2012

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:00 p.m. on the above date at the Company office located at 139 N. Euclid Ave., Upland, California. Committee Members present were Glenn Bozar, Sue Sundell, and Bob Cable. SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton were also in attendance. Ms. Sundell presided.

Mr. Bozar moved and Mr. Cable seconded for Ms. Sundell to be chairperson for the AFC.

1. Recognitions and Presentations: None.
2. Additions / Deletions to the Agenda: Mr. Moorrees added Item 5G to the agenda to discuss SAWCo's income statement which was questioned at the last Board meeting. He presented the committee with comparatives for year to date figures and budget to actual reports.

Mr. Thomas entered the meeting at 3:04 p.m.

3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Bozar moved and Ms. Sundell seconded to approve the meeting minutes of February 28, 2012 as presented. Motion carried with Mr. Cable abstaining.
5. Administrative and Financial Issues:
  - A. ***Citizens Patrol Contribution*** – Mr. Moorrees reported that a request was made for a donation of funds towards this organization. In the past, the Water Company made contributions annually to the Citizens on Patrol. Last year the Board approved a contribution of \$1,000.

In addition to monitoring daily activity in the San Antonio Heights, the Citizens Patrol also agreed to assist the Water Company in reporting any water leaks or water waste. Additionally, because their patrols include the Mt. Baldy area, they also “partner” with the San Antonio Canyon Watershed Committee in monitoring issues affecting water quality within the watershed area and provide quarterly reports.

Mr. Thomas suggested developing a checklist of concerns for the Citizens Patrol to monitor.

Mr. Bozar moved and Mr. Cable seconded to contribute \$1,000 to the San Antonio Heights Citizens Patrol. Motion carried with Mr. Thomas abstaining.

- B. ***SB918 Staggered Terms for Directors*** – Mr. Moorrees explained that the Senate Bill 918 (SB918) provides the option for the Water Company to allow staggered 4-year Board terms. He inquired as to whether the committee wished to consider implementing this policy and if so, advised them that the bylaws would need to be amended and the Shareholders be notified. Directors serving the 2 year and 4 year terms will be decided by drawing lots after the annual election.

Mr. Bozar questioned the purpose of the change in term limits. Mr. Moorrees stated that currently the Board terms are for one year and members may change every year. Ms. Sundell stated that one year terms do not give the board members enough time to learn all they need to know about the company but was concerned that Board members could only be elected for one four year term. Mr. Moorrees stated that he would double check with legal counsel but believed that the directors could be elected to serve another term.

Mr. Moorrees will e-mail the committee the senate bill to review.

- C. *Insurance Renewal Proposal*** – Mr. Moorrees stated that SAWCo is due to renew its comprehensive liability coverage. SAWCo received two quotes; one from American Alternative Insurance Company (AAIC) and the other from Arch Insurance Company. Mr. Moorrees explained that Arch Insurance came in at 18% lower than SAWCo's current insurance provider but did not include cyber liability. Cyber Liability Insurance can be purchased separately for roughly \$2,500. The combined total for Arch Insurance and cyber liability insurance is less than continuing with AAIC and what is currently budgeted.

Mr. Bozar moved and Mr. Cable seconded to approve recommending the Board change insurance carriers from AAIC to Arch Insurance with a separate policy to cover cyber liability. Motion carried with Mr. Thomas abstaining.

- D. *Depreciation Reserve*** – Mr. Moorrees explained that at the previous committee meeting a list of 25 year and 50 year assets to be depreciated was presented. Mr. Moorrees stated that SAWCo's commodity rate does not cover its expenses. The water company currently has various reserve funds. An Operating Reserve, Emergency Reserve, Capital Reserve, Drought Reserve, etc. After speaking with their legal counsel and auditor, SAWCo felt that combining all of these reserve accounts into one reserve account called the Depreciation Reserve would be beneficial. It was suggested that the Operating Reserve account be kept for expenses not assets.

Mr. Moorrees stated that the new reserve account would be funded by the sale of stored water. A possible rate increase would also help fund the new reserve account.

Ms. Sundell questioned how SAWCo would track which type of asset was utilizing more funds than originally planned and how would they recover the money. Mr. Moorrees explained that with sufficient reserves, SAWCo could utilize reserves when necessary as well as build them up when they are not needed.

Ms. Sundell also questioned if the purpose of consolidating the reserve funds was to make the monies more flexible. Mr. Moorrees stated that it would make the funds more flexible and simplify things as well as fund depreciation.

Mr. Moorrees stated that staff will develop the plan, the financial strategy, and how the water company will make up any differences in expenses versus income and bring the information back to the committee.

- E. *Negotiated Sale of Stored Water in Six Basins*** – Mr. Moorrees reported that SAWCo has rights in three basins; Cucamonga Basin, Six Basin, and Chino Basin; and has service agreements with the City of Ontario, City of Upland, and Monte Vista Water District (MVWD) whereby each agency pays their entitlement every month whether they use the

full amount or not. When an agency does not use all of its entitlement in the calendar year, SAWCo transfers stored water from one of its basins to the agency to reconcile the account. MVWD utilized all but 2 acre feet (AF) and the City of Upland utilized all but 227.917 AF in 2011. MVWD's account was reconciled with a transfer from Chino Basin and the City of Upland's account was reconciled with a transfer from Six Basins. SAWCo had not pumped their full entitlement in the Six Basins and would have lost 8 AF. The water company is able to store 2,000 AF in the Six Basins and needed to reduce that amount so as to not go over their entitlement. City of Upland chose to have their account reconciled with a transfer from Six Basins and also agreed to purchase the additional 63.78 AF that would have been lost at \$183 per AF.

Mr. Moorrees stated that sale of stored water above an entity's entitlement is sold at the tiered rate of \$466/AF, and asked for the committee to recommend the Board authorize the sale of 63.78 AF of water from Six Basins at a rate of \$183/AF to the City of Upland.

Mr. Cable moved and Mr. Bozar seconded to recommend the Board approve the sale of 63.78 AF of water from Six Basins to the City of Upland at the base rate of \$183/AF. Motion carried with Mr. Thomas abstaining.

- F. *Personnel Update*** – Mr. Moorrees reported that SAWCo received over 100 applications for the position of part-time general laborer. Twenty-eight were called in for a written test and of those, 13 were invited back for interviews the following week.

The position allows the employee to work four days a week for a total of 32 hours. Holiday's and sick time will not be paid or accrued. Depending on the individual hired, this position does have the potential to become a full-time position.

- G. *Financial Statement*** – Mr. Moorrees reviewed the year to date (YTD) figures for previous years and compared them with the current year totals.

6. Closed Session: The committee went into closed session at 4:06 p.m. to discuss the General Manager's Performance Review [subdivision 9b) of Section 54957, CGC]. It was requested that the general manager list specific goals and objectives for the AFC to review with another closed session on June 12<sup>th</sup>.
7. Committee Comments and Future Agenda Items: None.

Adjournment: The committee determined there was no further business and adjourned the meeting at 4:25 p.m.

---

Assistant Secretary  
Charles Moorrees