

SAN ANTONIO WATER COMPANY
ADMINISTRATION and FINANCE COMMITTEE (AFC)
MINUTES
July 27, 2010

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, Ken Willis, and Tom Thomas. General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and Paul Ridgeway were also in attendance. Mr. Thomas presided.

1. Recognitions and Presentations: None.
2. Additions / Deletions to the Agenda: Mr. Moorrees added development of a general maintenance worker as Item 5.D. Dr. Gattas added document signatures from SAWCo as Item 6.C.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes – Dr. Gattas stated that the current commander of the Citizen’s Patrol is Herbert Rosenzweig not Mr. Martin as reported in the minutes. Mr. Thomas moved and Dr. Gattas seconded to approve the meeting minutes of March 30, 2010 with correction. Motion carried.
5. Administrative and Financial Issues:
Mr. Ridgeway & Slater-Use of Company Water Rights – Mr. Moorrees explained that this issue was raised at SAWCo’s most recent Board meeting. Mr. Ridgeway spoke during the Public Comments portion of the meeting and advised of a document that he believed provided him the right to obtain shareholdings in San Antonio Canyon Mutual Services (SACMS). Mr. Ridgeway also had a copy of a letter that was provided by SAWCo in 1932 and 1937 to a Mr. Donahue and Mr. Fairbanks that led him to the same conclusion.

Back in November of 2009 the Board approved a License Agreement to allow continued use of SAWCo’s water rights in the San Antonio Creek specifically for Mr. Slater and Mr. Ridgeway. For further consideration, the Water Company included the allowance of water specified in the letters submitted for Donahue & Fairbanks in the amount of 1800 gallons per month. Mr. Moorrees advised Mr. Ridgeway that SAWCo would not issue shares from the San Antonio Canyon Mutual Services Company and has no legal right to do so considering the referenced letters to Donahue & Fairbanks was written after the Indenture that created the San Antonio Canyon Mutual Services. Additionally, the conditions were meant specifically for the parties named in the letter with no successors or assigns that would provide the premise for current water use on the property.

Considering that the Water Company offers a better deal than any other, staff recommends that both Mr. Slater and Mr. Ridgeway either acquire stock from SACMS or sign the approved License Agreement with the San Antonio Water Company. If after a certain time period neither recommendation has been followed through, SAWCo should consider removing the water allowances provided and, upon recommendations by the Board, seek appropriate legal action.

Mr. Thomas inquired if Mr. Ridgeway had approached SACMS with regards to acquiring shares. Mr. Ridgeway replied that he had not made an attempt to acquire stock from SACMS.

Mr. Moorrees stated that he spoke with Colin Sked, the husband of the president of SACMS, and he advised that Mr. Ridgeway would not be issued shares in the SACMS.

Mr. Thomas asked Mr. Ridgeway why he did not want to sign the agreement. Mr. Ridgeway replied that he didn’t want to sign the agreement because it is revocable and shares are not. Mr. Moorrees clarified that the agreement is only revocable if he is not in compliance with it and if the property was sold, the new owner would have to sign the agreement with the Water Company to continue said water use

(Mark Hill entered the meeting at 3:14 p.m.)

Mr. Ridgeway questioned how long the rate in the agreement would be valid. Dr. Gattas replied that it would be guaranteed probably about as long as he gets as a SAWCo shareholder. If they raise rates for SAWCo shareholders they will probably raise the amount in the agreement at the same time.

Mr. Ridgeway was advised to contact his lawyer about his professional opinion on the matter and to have a response by SAWCo's August Board meeting.

There was a consensus in the committee that this item will be going to the Board at the August Board meeting with a response from Mr. Ridgeway by that time.

Tier 3 Rate - Conservation – Mr. Moorrees mentioned the bill SB7 passed by the Governor on November 10, 2009. It requires that water companies reduce water consumption 20% by 2020. It is difficult for a shareholder owned company to comply with the bill because of entitlement. Mr. Thomas previously suggested introducing a conservation rate. The conservation rate would encourage shareholders to stay within their entitlement due to the higher cost.

Mr. Thomas pointed out that it would also allow SAWCo to do water conservation measures or things to increase water supply. Mr. Moorrees agreed but stated that SAWCo would need to track the monies received from that conservation rate to make certain it goes into a conservation fund.

Dr. Gattas inquired as to what percentage of SAWCo domestic shareholders go over their entitlement. Mr. Moorrees replied that of the shareholders that have ¼ share, 61% go over their entitlement.

Mr. Thomas suggested an amount around \$1.80 to \$2.20 for the Tier 3 rate and look at the usage from the last year and see how much revenue is generated. Mr. Moorrees suggested looking at the amount spent each year on conservation to see how much money will need to be generated to cover that cost which will be helpful in determining the rate. Mr. Hill suggested billing a set amount each billing cycle based on the customers annual usage such as the electricity company does. Ms. Layton thought a billing change would be needed but that it could be looked into.

Mr. Moorrees stated that he would come back to the committee with some options to consider.

Stock Auction 2010 – Ms. Layton reported she mailed out five letters to individuals who owe money on their stock. The letter stated the shareholders have until August 26, 2010 to pay off their balances. If the balances are unpaid the stocks will be put up for auction on or about December 6, 2010.

Dr. Gattas suggested SAWCo report that the auction is taking place and start the procedures.

Student Internship or Volunteer Program – Mr. Moorrees reported that SAWCo would like to consider an internship or volunteer program where staff can mentor young individuals that desire a career in the water field. Additionally, it is recommended that a classification for a "General Laborer" classification be included in the Water Company's Organization Structure.

Mr. Thomas advised Mr. Moorrees to bring back more information to the committee with regard to a general laborer expectation.

Mr. Willis advised Mr. Moorrees to carry through with program and come back to the committee with any inquiries.

Social Media – Mr. Moorrees brought up Mr. Thomas' suggestion of using Facebook as a communication tool for the Water Company.

Mr. Thomas explained that the company website can have a link to the company's Facebook page and can be updated with messages regarding the company. Friends or fans on the Facebook account will receive those messages.

Mr. Moorrees recommended SAWCo's information technology consultant, Eric Hanson provide a brief presentation the ups and downs for setting up and maintaining a Facebook page.

6. Status report on Staff & Committee items:

History Documentation – Ms. Layton reported that Rauch Communications is continuing their work on the project today. Completion is expected by October.

Conservation Update - Ms. Layton reported that Metropolitan Water District (MWD) has allotted 3.5 million for residential rebates this year. Last year they offered 6 million in residential rebates. MWD is on a fiscal year and still have 96% of rebate money available for the year. Commercial rebates have been allotted 6.5 million and have 94% still available.

SAWCo has been utilizing a leak detection report on certain meters. In July, 51 phone calls were made advising customers that they may have a leak. Nine calls were returned with half saying that they had some issues that they had fixed and the other inquired about what the phone call meant and how to fix it. Once a customer shows up on the leak detection three times a letter is mailed to them. Eventually the letter will contain a print out of their usage.

(Ken Willis exited the meeting)

Document Signatures – Dr. Gattas commented on the legibility of the signatures on SAWCo documents and suggested that on future SAWCo's documents, the name of the person signing be printed below the signature. There was consensus on the committee to require the printed name below the signature of the person signing documents.

7. Closed Session: General Manager's Performance Review [subdivision 9b) of Section 54957, CGC] Deferred due to Ken Willis' early departure.
8. Committee Comments and Future Agenda Items: None.
9. Adjournment: - The committee determined there was no further business and adjourned the meeting at 4:10 p.m.

Assistant Secretary
Charles Moorrees