

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

August 26, 2014

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:04 p.m. on the above date at the Company office located at 139 N. Euclid Ave., Upland, California. Committee Members present were Sue Sundell, Bob Cable, Glenn Bozar and Tom Thomas. Also in attendance were SAWCo's General Manager Charles Moorrees, and Office Assistant Kelly Mitchell. Ms. Sundell presided.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: Mr. Moorrees added the Classification and Compensation Study as Item 5E, the California Association of Mutual Water Companies as Item 5F, and Chino Basin Assessments as item 5G on the agenda.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Bozar moved and Mr. Cable seconded to approve the meeting minutes of June 24, 2014 as presented. Motion carried.
5. Administrative and Financial Issues:
 - A. ***Irrigators Readiness to Serve Charge*** – Mr. Moorrees reported that the original reason SAWCo created an irrigation schedule only allowing irrigators to run water during the months of May thru October, was the fact that when irrigators ran water it caused a reduction in the Water Company's ability to serve other customers. The water system has since been modernized and therefore the ability to serve customers is unaffected with irrigator runs. An irrigation schedule from May to October is no longer needed nor has it been adhered to in recent years. If water is available and irrigators request it SAWCo will provide it to them regardless of the month.

The two irrigators that currently have meters incur a monthly "Readiness to Serve" charge of \$60 based on their meter size in accordance with the adopted fee schedule; however, the remaining irrigators on weirs (with the exception of Nisbet which still requires manual operation) are charged according to their weir size only when they call for irrigation runs.

With the reduction of minor grove irrigators and the modernization of the water system, the irrigation schedule is redundant as the grove irrigators are allowed runs outside of the current schedule. In addition, with the minor water deliveries, the cost for maintaining the system exceeds the revenues received from these water deliveries.

Mr. Bozar suggested sending a letter to irrigators about the readiness to serve charge. Mr. Moorrees agreed to send letters and bring the responses back to the AFC.

- B. ***Ontario Irrigators Readiness to Serve Charge*** – Mr. Moorrees stated he would also send a letter to the Ontario irrigators about the readiness to serve charge and bring their responses back to the committee.

Mr. Thomas suggested offering to contribute or pay for these irrigators to hook up to the City of Ontario water system if they relinquished their shares in SAWCo. Mr. Moorrees advised that he had made a similar offer to one of the irrigators but was rebuffed.

Mr. Thomas stated if the property being served is in the boundaries of the City of Ontario it should be served by the City of Ontario.

Mr. Moorrees will report to the Board what the committee's plan is with regards to irrigators and the readiness to serve charge.

- C. *Returned Water Stock Certificates*** – Mr. Moorrees explained that during the process of stock transactions, staff does their due diligence in placing the original stock certificate in the hands of its shareholders. Unsuccessful attempts to deliver by the Post Office and unclaimed certificate packages at the Post Office by the shareholder results in the stock being returned to SAWCo and held in storage. Staff will then attempt to communicate with the shareholder to pick up their stock at the company office. This communication rarely results in the shareholder picking up the certificate as there is currently no incentive for the shareholder to retrieve the returned stock at the Water Company office.

Mr. Thomas suggested having field staff attempt to deliver the shares to shareholders that reside in San Antonio Heights. Ms. Mitchell advised that the original attempt at delivery by the Post Office was done during business hours and was unsuccessful; it is likely that field staff attempts would be unsuccessful as well.

Mr. Cable stated he felt a charge of \$10 per month was fair and a good incentive to have shareholders pick up their returned stock certificates.

Mr. Thomas mentioned putting a short note in the company newsletter about returned stock and the need to retrieve them from the office.

There was consensus on the committee to recommend the Board approve a nominal storage and handling fee to shareholders for returned or unclaimed stock certificate(s) held at the company office.

- D. *CY2014 Mid-Year Budget Review*** – Mr. Moorrees reviewed budget figures. He stated that the first six months of the year the water company typically receives 40% of its revenues with the remaining 60% coming in the last six months. Projection includes a 6% rate increase effective September 1, 2014.

Mr. Moorrees pointed out that SAWCo has had reduced surface water flows and therefore have not been able to deliver surface water to the City of Upland's treatment plant. The domestic supply from the Tunnel is being discharged due to bacteria problems.

There are some developments going on with water connections and fees are higher than anticipated but interest on investments are down. Total income is less than projected for this time of year.

The General and Administrative budget is currently under budget and projected to stay under budget through the end of the year. The Facilities Operations and Maintenance budget is currently under budget but projected to be over budget by the end of the year. It is projected that by the end of the year net income will be in the positive due to the sale of stored water.

The committee discussed the reduction in water availability and asked for a worst case scenario to be presented to the Board.

- E. *Classification and Compensation Study*** – Staff met with RSG to discuss progress on the study. All staff was interviewed to determine job duties. The findings are expected prior to the Budget Workshop in early December.
- F. *California Association of Mutual Water Companies*** – Mr. Moorrees explained that SAWCo was previously a member of the California Association of Mutual Water Companies and the Southern California Mutual Water Company Association with respect to its 401K administration, both of the Associations are no longer in existence. The California Association of Mutual Water Companies (CAMWC) was formed just over a year ago by 14 mutual water companies concerned that assembly bills are targeting them.

Staff met with Jim Byerrum, the President of CAMWC and the Executive Director to discuss the organization which is developed to be of assistance to Mutual Water Companies and to see if SAWCo would consider membership as beneficial. The vision of CAMWC is to become the voice for mutual water companies/small systems and to advocate on their behalf. The thought is to eventually expand into training, employee benefits, education, support, grant writing, and advocacy; however, the majority of time is being spent on fighting legislation.

Costs to join are based on annual sales. SAWCo's membership cost currently would be \$5,000 annually.

Mr. Moorrees brought the item to the committee as information only. He will bring it to the Budget Workshop in December for approval.

- G. *Chino Basin Assessments*** – The Chino Basin Appropriative Pool agreed on the RMPU projects. There are over \$8 million in soft costs, such as engineering and environmental, over a 3½ year period for these projects.

Mr. Moorrees took issue with manner in which these projects were being handled. The route Chino Basin is taking with the projects is that all the environmental, engineering, etc. for the projects will be done first and then the actual projects will be started. This will mean that for 3½ years no projects will be completed and therefore no benefit will come from them but \$8 million will be spent. By the time these projects are started the amount of money to complete them will be different than what was projected in the 3½ year long preparation period.

The cost for these projects will be the responsibility of the Chino Basin Watermaster who will assess fees to all parties involved. SAWCo voted no on the RMPU projects for the way they were going to be handled but the item was approved by the board.

SAWCo will receive and assessment for the projects that then may need to be forwarded on to its shareholders.

- 6. Closed Session: None.
- 7. Committee Comments and Future Agenda Items: None.

August 26, 2014

Adjournment: The committee determined there was no further business and adjourned the meeting at 4:16 p.m.

Assistant Secretary
Charles Moorrees