

**SAN ANTONIO WATER COMPANY**  
**MINUTES OF THE SAN ANTONIO WATER COMPANY**  
**Wednesday, December 3, 2014**

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 9:10 a.m. on the above date at the San Antonio Water Company, 139 North Euclid Avenue, Upland, California. Directors present were Ken Willis, Bob Cable, Glenn Bozar, Tom Thomas, Sue Sundell and John Gerardi. Also in attendance were Upland resident Jane Willis, SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton. Director Thomas presided.

▪ Call to Order

1. Recognitions and Presentations: None.

2. Additions-Deletions to the Agenda: None.

3. Shareholder-Public Testimony: None.

4. Budget Workshop:

**A. "Draft" 2015 Administration & Operations Budget**- Mr. Moorrees delivered a PowerPoint presentation and distributed slide handouts to the Board. The following were comments made in the discussion with the Board:

**Revenues**

Revenues are averaged out from the past 5 years and the projected end of the CY2014.

1. Water Sales for domestic include the increase for the supplemental rate and decrease in entitlement implemented on June 1, 2014 and the increase for the base rate implemented on September 1, 2014. Revenues are understated for Water Connections, as SAWCo perceives an increase in residential developments in the coming year. Ground lease income is derived from the Sprint lease of SAWCo's site on 17<sup>th</sup> Street and Benson Avenue and the Tolle Nursery lease on SAWCo's 20<sup>th</sup> Street site.
2. Mr. Moorrees explained the line item for Unearned Income as it pertains to water service agreements with both the City of Upland and Monte Vista Water District and the reconciling of those accounts at the end of the calendar year.
3. Staff anticipates selling 500 acre feet (AF) of water at the tiered rate of \$585.50/AF generating \$292,746.
4. Capital Connection Fees are understated as explained in Water Connections with respect to an increase in residential developments.

**General and Administrative Expenses**

5. Mr. Moorrees anticipates additional legal fees to cover ongoing costs pertaining to the Company's water rights claim. As SAWCo moves forward with the State Water Resource Control Board (SWRCB) in their quest to resolve this issue increased costs are expected.
6. IT support is increased to allow for the purchase of new office computers, a computer for the yard facility and for the upgrading of SAWCo's server back-up system. Support for billing is also included in this figure.

7. Mr. Moorrees proposed adding \$20,000 in Conservation Activities to develop SAWCo's role as a Wholesaler in developing conservation incentives, meeting Best Management Practices and offering more conservation programs to its shareholders.
8. Facilities and Operations and Maintenance Expenses - Mr. Moorrees advised that the Cucamonga Crosswalls project is categorized under this line item in the amount of \$25,000.
9. The Basin 6 project is categorized under the line item Tunnels/Ponds and Spreading Activities at \$120,000.
10. Under the Service Yard Facility (Buildings and Grounds) line item is the cost of replacement/repair of the Yard Facility back fence.
11. In conclusion, Mr. Moorrees showed the total expenses minus the income without the Sale of Stored water to be a negative \$267,578 with a Net Income of \$42,168 with the Sale of Stored Water included.

**B. "Draft" 2015 Capital Outlay and Expenditures Budget** – Mr. Moorrees presented the Capital Improvement budget for 2015. Five projects identified are proposed to carry over into CY2015; Chino Basin Recharge Pipeline, Well 25A Site Improvements, Cucamonga Crosswalls, Basin 6 Desilting and the City Treatment Plant air separation vault installation. Mr. Moorrees pointed out that the highlighted operating expenditures (Cucamonga Crosswalls and Basin 6 Desilting) are incorporated in the budget.

Mr. Moorrees reviewed the carry-over projects; their budgeted amounts, expended amounts and the amount budgeted to be spent in 2015 to complete the projects.

Mr. Moorrees presented five Capital Improvement projects to begin in CY2015; Frankish Tunnel Pipeline Connection, Spring Terrace Waterline replacement (Master Plan Project), Wildrose Court Waterline Replacement (Master Plan Project), Cucamonga Valley Water District Connection (Master Plan Project) and the Tunnel Ultra Violet/Filter Treatment Option.

Total Carry Over is \$594,808; Expenses of \$145,000 plus Capital Outlay of \$1,567,808 results in a Total of \$1,712,808.

Mr. Moorrees presented the additional CY2015 Draft Capital Expenditures. Operating Budget items include the New Billing and Accounting software support in the amount of \$3,000. For the office a Business Continuity System to provide alternate back up security for business information is budgeted at \$10,000 and new office floor coverings for \$10,000. A backyard fence for the Yard Facility at \$1,800 and an expanded Conservation Program is budgeted at \$20,000.

The Depreciation and Obsolescence items in the budget included the Water Master Plan Update at \$250,000, an Urban Water Management Plan at \$35,000 and the New Office Feasibility Study for \$20,000. Other notable items included the Office and Yard Computer Replacement, the Alternative Energy Feasibility Study and the Residential Meter Replacement at \$12,000, \$10,000, and \$9,000 respectively.

In summary, Mr. Moorrees proposed a total of \$189,000 incorporated in the operational budget. Total Capital Expenditure totaling \$2,103,608.

The Depreciation and Obsolescence Reserve balance as of October CY2014 is \$5,249,233. Capital Expenditures for CY2015 are totaled to be \$2,103,608 with a remaining balance at \$3,145,625.

Any corrections and/or additions to the budgets will be incorporated and presented to the Board at the December Board meeting.

Director Thomas closed the meeting with the End of the Year Luncheon at the Sycamore Inn.

5. Director's Comments and Future Agenda Items:

Adjournment: 10:42 a.m.

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Assistant Secretary  
Charles Moorrees