

**SAN ANTONIO WATER COMPANY**  
**MINUTES OF THE SAN ANTONIO WATER COMPANY**  
**Thursday, December 6, 2012**

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 9:13 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, Will Elliott, Glenn Bozar, Tom Thomas, and John Gerardi. Also in attendance were SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton. Mr. Moorrees presided.

▪ Call to Order

1. Recognitions & Presentations: None.

2. Additions-Deletions to the Agenda: None.

3. Shareholder-Public Testimony: None.

4. Forebay Facility Reconstruction Project – Award contract bids:

Mr. Moorrees stated that the sealed bids for the electrical and disinfection portion of the bids were presented at the November 27<sup>th</sup> PROC meeting. On December 4<sup>th</sup> the general contractor sealed bids were opened. The issues with the bids are as follows:

- KSM Electric, Inc. was low bid at \$260,383.83 for the electrical portion of the project. The Engineer's estimate was \$140,000.
- Pacific Hydrotech was low bid for the General Contractors at \$1,355,532. A spreadsheet of the bid results were presented at this meeting. The Engineer's estimate was \$994,950.
- Sole source bid for disinfection system was received from MIOX for the Sodium Hypochlorite Generation at \$123,000. Engineer's estimate was \$45,000.

(Sue Sundell entered the meeting at 9:21 a.m.)

Director Elliott commented that normally an item such as this would be presented at the committee level and recommended to the Board for approval but at the PROC meeting no decision was made due to not having an explanation for the increase over the Engineer's estimate. Mr. Moorrees further explained that the PROC approved the electrical bid contingent on an explanation as to why there was such a wide margin between the engineers estimate and the actual bids.

Mr. Moorrees explained that electrical equipment costs have gone up. Prices have escalated and the engineer admitted to an error on cost estimations, as this project is much more labor intensive than standard projects undertaken this year.

Mr. Moorrees then reviewed the four General Contractors bids with the Board. Pacific Hydrotech came in with the low bid. SAWCo has not used Pacific Hydrotech before but they come highly recommended by the engineer and other contractors.

With regard to the disinfection system, Mr. Moorrees explained that SAWCo was looking into a vault system (MIOX) which will reduce operation costs as it requires less maintenance. Installing the MIOX system of this size may require a blower which would increase the bid amount by \$12,000 to \$135,000.

Director Gerardi inquired as to whether a construction manager would be required during this project. Mr. Moorrees replied that SAWCo will utilize a construction manager and it is included in the additional budget amount.

Director Sundell questioned having performance bonds. Mr. Moorrees replied that they are required for the projects general contractor.

Director Sundell also questioned when the budgeted amount was brought to the Board for approval. Mr. Moorrees replied that it was brought to the Board at the end of last year.

Director Thomas commented that workers compensation insurance has gone up 20% to 30% two years in a row. This may be part of the reason why the engineers estimate was less than the bid amounts.

Director Cable moved and Director Willis seconded to approve the manager's recommendation to award the Electrical contract to KSM Electric in the amount of \$260,383.83; the General Contract to Pacific Hydrotech in the amount of \$1,355,532; and the disinfection contract to MIOX for the Sodium Hypochlorite Generation system in the amount of \$135,000 for a total of \$1,750,915.83 with a \$90,000 Contingency for a total of \$1,840,915.83 from Depreciation Reserves for CY2013. Motion carried.

The Board exited the meeting briefly for a Board photograph in front of the company building.

Director Cable exited the meeting at 9:45 a.m.

5. Budget Workshop:

**A. "Draft" 2013 Administration & Operations Budget-** Mr. Moorrees presented a PowerPoint presentation with the information that was also passed out to the Board. The following were comments made in the discussion with the Board:

1. Revenues – Supplemental domestic water sales were down but supplemental irrigation water sales were up. Interest income continues to decrease as capital reserves are drawn down for capital projects. 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. Also explained was the variance between the amounts budgeted for Water Sales from Stored Groundwater and the actual amount received. Staff had anticipated selling 2,000 acre feet (AF) of water but only sold 525AF. Mr. Moorrees clarified that these amounts contribute to the depreciation reserves.
2. General and Administrative Expenses – Mr. Moorrees stated that Conservation Activities are budgeted to increase in 2013 due to SAWCo now classified as a water wholesaler. He also explained that the line item "All Other" included bottling SAWCo's water once again as a promotional program at \$15,000.
3. Facilities Operations and Maintenance Expenses - Mr. Moorrees advised that the increased amount for the Tunnels/Ponds & Spreading Activities includes the tunnel cleaning. Another item, Employee Benefits, is projected to increase due to SAWCo's part time general laborer will become full time at the beginning of 2013. Mr. Moorrees explained the budget for the Irrigation Water Subsidy line item as funds that SAWCo utilizes to pay the difference in the bill amounts between the City of Ontario's bill and the amount SAWCo would charge irrigation shareholders who have had their irrigation service transferred to a city's system due to SAWCo abandoning failing irrigation waterlines.

**B. "Draft" 2013 Capital Improvement & Capital Outlay Budget –** Mr. Moorrees went over the capital outlay budget for 2013. An increase for the Forebay Improvements was approved by the Board earlier in the meeting increasing the final budgeted amount for the project. Staff is considering a change order for the fencing around the Forebay; upgrading it from chain link to rod iron. Mr. Moorrees explained how the water company would connect to the Water Facilities Authority (WFA) pipeline. The project is anticipated at a budget of \$60,000. Well 25A Site Improvements such as sidewalks and landscaping are budgeted at \$275,000.

Director Elliott suggested, with all of these projects going on in SAWCo's domestic system area, that the company newsletter refer to the website for updated project information. The Board agreed and the website will be updated with project information promptly.

Mr. Moorrees reported that the Chino Basin Recharge Pipeline is budgeted for \$280,269 and is on hold until the approval of the Storage and Recovery Agreement. The Pressure Reducing Valve (PRV) Station budgeted for \$45,000 would be placed at Cliff Road and Euclid Crescent East and would reduce the existing 130 pounds per square inch (psi) to 159 psi customers are experiencing in the area. The Reservoir 4 overflow connection to Basin 3 is budgeted for \$25,000 and will allow recharge into Basin 3. Staff discussed installing an Americans with Disabilities Act (ADA) ramp for its office at a cost of \$60,000. The Frankish Tunnel Design project budgeted at \$60,000 will provide for a connection from the Frankish Tunnel to one of SAWCo's irrigation lines.

Director Thomas asked if this would increase shareholder's entitlement. Mr. Moorrees confirmed that an increase in the water company's production of water rights would raise entitlement accordingly.

The budgeted amount of \$60,000 for the Upland Treatment Plant Delivery PRV is to mitigate entrained air in the water delivered to the City of Upland Treatment Plant that disrupts their filterbeds and has prevented them from taking water from SAWCo through this connection.

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

5. Director's Comments and Future Agenda Items: None.

Adjournment: 11:15 a.m.

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Assistant Secretary  
Charles Moorrees