

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, December 8, 2015

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 9:30 a.m. on the above date at the San Antonio Water Company, 139 North Euclid Avenue, Upland, California. Directors present were Will Elliott, Ken Willis, Bob Cable, Glenn Bozar, Tom Thomas, Sue Sundell and John Gerardi. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and Accounting and Personnel Specialist Joni Ruggles. Director Thomas presided.

- Call to Order
- 1. Recognitions and Presentations: Mr. Moorrees noted Justin Scott Coe with Monte Vista Water District and Ryan Shaw with the City of Ontario's attendance at the meeting.
- 2. Additions-Deletions to the Agenda: None.
- 3. Shareholder-Public Testimony: None.
- 4. Budget Workshop:
 - A. **"Draft" CY2016 Administration and 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 2 years and the projected end of the CY2015.

1. Water Sales for domestic and the readiness to serve charge were separated for the CY2016 budget.
2. Water Sales Supplemental Domestic is factored using the drought rate of \$1.33/hundred cubic feet (hcf). Challenges with groundwater and Tunnel supplies caused higher energy costs to produce water and led to the production of less water throughout the year.
3. Water Sales – Municipal- As a point of equity, it was noted that Municipal Water Sales generate 84.6% of total water sales but generates only 3.79% of the readiness to serve charge. Domestic water sales generate 50% of the readiness to serve charge relative to 15.4% of total water sales.
4. Unearned Income and Unearned Income Adj (sup) was part of the service agreements SAWCo had with MVWD, City of Ontario, and the City of Upland. They are set to expire at the end of the year and will not be renewed.
5. Water Sales/Stored G.W. [DR] – 500 AF was sold from 2015's supply but will not be completed until 2016. SAWCo is trying to increase the sale of stored water to make up for loss in revenue from the commodity rate.

General and Administrative Expenses

6. Mr. Moorrees increased the amount for legal fees to move forward with the Cucamonga Judgment and to cover items such as Chino Basin Watermaster safe yield recalculation.
7. IT support was decreased due to the support agreement with Inland Productivity Solutions. Tyler Technologies, Inc. support is included in the figure provided.

B. “Draft” CY2016 Capital Improvement and Capital Outlay Budget – Mr. Moorrees presented the Capital Improvement budget for 2016. He pointed out that since SAWCo is using a lot of their groundwater wells, electricity costs have gone up considerably. The Water Resource Management designation includes funds for assessments in the various water basins SAWCo is a part of. Additional funds were added to prepare for the Cucamonga Basin Judgment. Six Basins Watermaster assessment is \$27,660, Chino Basin Watermaster is \$140,000, and \$30,000 was budgeted for the Crosswalls project with \$120,000 budgeted for Basin 6 desilting.

Mr. Moorrees made the Board aware that without the sale of stored water the net income is in the negative by (\$606,521). Factoring in the sale of stored water brings the net income to a negative (\$95,540). Back to back shareholder entitlement reductions totaling 33%, plus water conservation efforts resulted in the negative income with and without DR funds. There is a need to perform a rate analysis for a proposed increase in current water rates and/or shareholder assessments in CY2016. The process of performing a rate analysis was discussed.

Nine projects were identified to carry over into CY2016; Cucamonga Crosswalls, Basin A Desilting, Cucamonga Basin Management, Water Master Plan Update, New Office Feasibility Study, Urban Water Management Plan, Stock Database, Edison Pond Expansion Study, and UV Treatment – Tunnel.

Mr. Moorrees reviewed the carry-over projects; their budgeted amounts, expended amounts and the amount budgeted to be spent in 2016 to complete the projects.

Mr. Moorrees presented fifteen other Capital Outlay projects to begin in CY2016. Some of the more prominent projects include the Holly Drive Boosters, Holly Drive 100k Reservoir Design, Booster 9 replacement, a connection to WFA at Benson Avenue, and Reservoir 6 and 12 Mixing Systems.

Total Expenses (incorporated in operational budget) are \$214,000; Capital Expenditures are \$1,309,395; Depreciation and Obsolescence Reserves balance at the end of October 2015 equaled \$3,958,643 leaving a remaining amount of \$2,649,248.

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: 11:02 a.m.

Assistant Secretary
Charles Moorrees