

SAN ANTONIO WATER COMPANY

MINUTES OF THE SAN ANTONIO WATER COMPANY

Thursday, December 8, 2011

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 9:45 a.m. on the above date at the San Antonio Water Company, 139 North Euclid Avenue, Upland, California. Directors present were Ken Willis, Dr. Fred Gattas, Will Elliott, Glenn Bozar, Tom Thomas, Sue Sundell and Brian Brandt. 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. Budget Workshop:

A. "Draft" 2012 Administration & Operations Budget- Mr. Moorrees compiled a PowerPoint presentation with the information that was also passed out to the Board. Ms. Sundell asked that Mr. Moorrees briefly discuss any situations that have made a dramatic difference overtime with the budget.

Regarding the 2012 budget, 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 were drawn down for capital projects; however, SAWCo did not spend as much out of capital reserves as projected therefore more interest was earned than expected. Mr. Moorrees suggested developing an investment policy for funding projects in the future. SAWCo proposes to sell 2,000 acre feet (AF) from its Chino Basin stored water account in the coming year which accounts for the revenue under Water Sales from Stored Groundwater.
2. General and Administrative Expenses – Mr. Moorrees stated that administrative services were budgeted slightly more than the previous year due to dealings with the United States Forest Service (USFS) . An increase in the amount budgeted for legal fees is due to the amending of the Cucamonga Judgment and continuing water rights investigation in Mt. Baldy. It was presented that the legal expense budget was too high relative to the budget. Director Brandt offered to audit this year's legal invoices and asked that he receive copies of the legal billings for him to review. Mr. Moorrees advised that we are transitioning work from legal counsel with more work with SAWCo's special counsel. Mr. Moorrees also reported the current rates paid for legal expense. Mr. Moorrees reported that under Office Supplies/Bldg. Facility staff included money to re-roof the carport at the office as identified in the capital outlay.
3. Facilities Operations and Maintenance Expenses - Mr. Moorrees reminded the Board of the new well budgeted for CY2011 and will carry over to CY2012 to drill and develop. The Water Company's Reservoir #6 in need of interior and exterior coating as presented in the capital outlay. He advises that coatings for reservoir usually last for 20 years and with continued maintenance steel reservoirs should last indefinitely. This steel reservoir was constructed in the 1970's. This project is considered an expense and accounts for the increased budget amounts in those line items. The negative amount in the Tunnels/Ponds & Spreading Activities is attributed to the reimbursement SAWCo received from Federal Emergency Management Agency (FEMA) for the December 2010 Storm Event. Increase expenditure in the budget for Pipelines & appurtenances is attributed to the proposed Main Box extension which was a

suggestion from the Camp, Dresser, and McKee (CDM) Study to increase flow delivery from the Main Box to the V-Screen by increasing the head. An additional \$5,000 expenditure was added to the Telemetry System to cover any additions needed for the new Well25A that is scheduled to be drilled and developed next year. Service Yard Facility (Buildings & Grounds) expenses were increased to include reroofing the remaining portions of the yard facility. Water Quality (Testing & Chemicals) is expected to increase in the coming year due to additional testing needed for Hexavalent Chromium. Water Resource Management (Basin Assessments) expenses remain high as it includes the assessments for Six Basins, Chino Basin and special assessment for the remaining Overlying Ag water purchase. It also includes \$25,000 for the Cucamonga Crosswalls that's identified in the capital outlay budget.

B. "Draft" 2012 Capital Improvement & Capital Outlay Budget – Mr. Moorrees went over the capital outlay budget for 2012. Mr. Moorrees explained the increase in the budget for the Forebay Improvements was due to finishing the project in one year rather than having it split into two years as well as increased cost associated with the County Building and Safety requirements. This project has been pending approval from the San Bernardino County since February of this year and staff anticipates receiving a permit before year's end. The Chino Basin Recharge Pipeline is carried over into CY2012 with an additional budget requirement as presented by the engineer as an estimate as to how much it will take to complete the project. The Frankish Tunnel design was budgeted for CY2011 and will carry over into next year. An easement maybe needed with Southern California Edison to complete the Frankish Tunnel – Design system connection project, hence the additional fees budgeted for the new year. It is proposed to be constructed in CY2013.

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

Adjournment: 11:00 a.m.

Assistant Secretary
Charles Moorrees