

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Thursday, December 9, 2010

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 9:36 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, Mark Hill, Tom Thomas, and Robb Quincey. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and CORO Fellow Letti Munoz. 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. 2011 Administration & Operations Budget- Mr. Moorrees compiled a PowerPoint presentation with the information that was also passed out to the Board.

Mr. Brian Brandt entered the meeting at 9:45 a.m.

Regarding the 2011 budget, the following were comments made in the discussion with the Board:

1. Revenues – Supplemental domestic and supplemental irrigation water sales were down. Interest income was down due to the use of funds for capital reserves. Unearned Income and Unearned Income Adjusted (supplemental) were added for Monte Vista Water District (MVWD). Adjustments are recommended at the end of the year. SAWCo proposes to sell 650 acre feet (AF) from its Six Basins stored water account in the coming year which accounts for the revenue under Water Sales from Stored Groundwater.

2. General and Administrative Expenses – Mr. Quincey suggested setting California Public Employees' Retirement System (CalPERS) aside and instead recommended SAWCo increase the 401K contribution. Accounting and Legal Fees were increased by five percent from the previous year and IT Support was also projected to increase. It was noted that the non-employment benefit insurance has decreased over the last few years. Also, it was noted that no income taxes were due for the current or coming year due to reduced liability and pre-payment.

Mr. Quincey suggested incentives for employees to help generate revenue. He felt there was some need for reconciliation over the next five years. Mr. Elliott recommended looking at the budget again at mid-year to see where the company is at and then have the Board meet to compile a five year plan.

Mr. Hill made a motion and Mr. Willis seconded to have a rate study done in 2011. Mr. Thomas questioned the need for a rate study and suggested adding a capital component to the budget instead. The amount of \$43,000 will be added to the budget to facilitate a rate study. The Board members were in agreement to add the item to the budget and have it approved at the upcoming Board meeting.

3. Facilities Operations and Maintenance Expenses - Mr. Moorrees advised the Board that next year SAWCo will not be doing any well rehabilitation which accounts for the decrease in the budgeted amount for wells. An increase in the budgeted amount for boosters was attributed to failing booster motors and the increase in the Tunnels/Ponds & Spreading Activities was due to work being done in the Spread Basins in Cucamonga Basin. Service Yard Facility (Buildings & Grounds) expenses were projected to increase slightly. Mr. Moorrees explained that Employee Benefits (Field only) expenses increased due to the company's increase in the 401K plan. Water Resource Management (Basin Assessments) has remained high for two years due in part to water purchased from the overlying non-ag water by appropriators in light of the overlying non-ag's suit against the Chino Basin Watermaster (CBWM).

B. 2011 Capital Improvement & Capital Outlay Budget – Mr. Moorrees went over the capital improvements and capital outlay budget for 2011. Mr. Thomas thought that SAWCo might benefit from a two year capital budget with how many projects were carryovers from the previous year. Mr. Moorrees explained the reasons for the delays in the projects that pushed them to the next calendar year. An additional \$10,500 was budgeted to bottle SAWCo water for promotion and giveaways.

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

Adjournment: 11:20 a.m.

Assistant Secretary
Charles Moorrees