

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Tuesday, April 20, 2010

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 5:02 p.m. on the above date on the above date at the Upland City Hall Council Chambers, 460 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Dr. Fred Gattas, Mark Hill, Will Elliott, Brian Brandt, Ken Willis and Robb Quincey. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, City of Upland Public Works Director Anthony La and prior Director Bob Bowcock. Director Thomas presided.

- Call to Order
 - Salute to the Flag
1. Recognitions & Presentations: President Tom Thomas presented a certificate framed and signed by all the Board members to Mr. Bob Bowcock for his commitment on the Board for the last seven years.
 2. Additions-Deletions to the Agenda: Mr. Moorrees requested to remove Agenda Item 6G – Citizens Patrol/Authorize monetary donation and refer this issue to the next AFC meeting on May 25th.
 3. Shareholder-Public Testimony: None
 4. Consent Calendar Items:
 - A. Approval of Board Meeting Minutes
Regular Meeting Minutes of March 16, 2010 and Organizational Meeting Minutes of April 6, 2010
 - B. Planning, Resources, and Operations Committee (PROC) Meeting Minutes
No meeting minutes to report
 - C. Administration and Finance Committee (AFC) Meeting Minutes
Receive & file minutes of January 26, 2010.
 - D. Financial Statement
Income Statement and Balance Sheet for February 2010 and year-to-date.
 - E. Investment Activity Report
Monthly Report of Investments Activity
 - F. Water Production
Bi-Monthly water production [Jan/Feb, Mar/Apr, May/June, July/Aug, Sept/Oct, Nov/Dec]
 - G. Prominent Issues Update
Status summaries on certain ongoing active Issues.
 - H. Projects and Operations Update
Status summaries on projects and operations matters.
 - I. Groundwater Level patterns [Quarterly in April, July, October & January]
Tracking patterns of groundwater elevations relative to ground surface.
 - J. Correspondence of Interest
 - Steve Evans/Friends of the River – Meeting at San Antonio Falls

Mr. Hill moved and Dr. Gattas seconded to approve the Consent Calendar Items as presented. Motion carried. (Mr. Quincey abstained)

5. Board Committee – Delegate Report:
PVPA Representative's Report – Mr. Thomas reported that PVPA has finalized the plans for their 100th anniversary celebration. He stated the event will be held at Red Hill Country Club and invitations have been sent. The menu will include steak and salmon.

Mr. Thomas reported that there is an activity being generated by the League of Women Voters (LWV) in Claremont on the Thompson Creek Spreading Grounds. They are having a workshop on April 24, 2010 to look at a feasibility study for making the area wetlands and possibly a recipient of recycle water. Mr. Thomas announced if you are interested in attending the LWV is asking you to register but the workshop is free. So if anyone is interested in giving input on the future use of the 120 acres at the intersection of Paloma and Mills in the northwest quadrant, you may want to attend.

Six Basins Representative Report – Mr. Moorrees reported that there is an Engineering/Technical committee meeting next week.

Administration and Finance Committee (AFC) Chairman's Report – Mr. Moorrees reported that everything discussed at the last AFC meeting is on the Board agenda for discussion or action.

Planning, Resources, and Operations Committee (PROC) Chairman's Report – There wasn't a PROC meeting last month, therefore, nothing to report.

6. Administrative & Financial Issues:
November 2009 Stock Auction Proceeds – Mr. Moorrees reported the Company held a stock auction on November 9, 2009 in which money was collected for old outstanding water charges. Any proceeds left after San Antonio Water Company (SAWCo) collects the outstanding debt and all related charges are due to the shareholder. The money must be turned over to the State if we are unsuccessful in locating the shareholder. If the shareholder has not claimed the money or corresponded in writing with the business association concerning it, within three years after the date prescribed for payment or

delivery, the money escheats to the State. The process for turning money over to the State is as follows:

1. Send a letter to last known address giving them 6 months to claim the credit or we would send the money to the State.
2. Complete the State's form to send the money within the next 6 months.
3. The State would then send us a remittance asking for the money.

At the last Board meeting there was a question whether we could collect interest on the money if we were to hold on to the money for three years. Legal counsel responded some restrictions may exist regarding what to do with held funds with those professions that are subject to State regulation, licenses, e.g. real estate brokers; however, it was determined that SAWCo is not subject to any special regulation or licensing by the State.

This issue was presented to the AFC in March and the process for remittance of funds was presented as follows:

- April – Send letter to last known address to inform shareholder of proceeds owed to them.
- November 9, 2011 – Final letter to shareholder to claim money or SAWCo will send to State
- May 9, 2012 – Complete form and send to the State
- November 9, 2012 – Remittance and money sent to the State

Dr. Gattas asked if the money could be put into an interest bearing account until 2012. Mr. Moorrees replied that the Company keeps all their money in interest bearing accounts. Mr. Willis moved and Mr. Hill seconded to approve staff & AFC's recommendations as proposed for reporting the proceeds and approve the finishing process of the November 9, 2009 stock auction. Motion carried.

Stock Auction Procedure – Mr. Moorrees noted a typo in the report where is stated it was the PROC's recommendation but should read AFC's recommendation.

Mr. Moorrees reported that we currently do not have set procedures in collecting unpaid water bills. The auction seemed the best way to collect the debt in accordance with the California Commercial Code, which governs this type of collection requiring us to yield the highest price for that stock in the recovery of the debt.

Although the auction met the criteria, there was a question of why the Company could not hold a lottery. A "lottery" was held at one time when the Company collected monies due as a result of an assessment which is governed by the Articles of Incorporation. It was clarified that the Company could not recover the unpaid water charges by having an assessment which would be governed by the Corporations Code. That process is the exact opposite of what is required when there is an unpaid bill and foreclosure which is governed by the CCC.

The following pre-requisites were discussed and revised per committee's comments that need to be met before a stock is presented for auction:

- a. Customer has moved out of area owing money
- b. Their residence in the service area is sold or foreclosed

Once the above the criteria have been met, staff proposes the following procedure:

- a. Research for current address on shareholders and pledgees
- b. Send letter to shareholder indicating money owed and provide a timeframe to pay before their stock is processed for auction
- c. After timeline, proceed with stock auction by sending letter & notice of inviting sealed bids to liened shareholders/pledgees
- d. A month later, send advertisement to current shareholders(separate mailing)
- e. A month before stock auction, put advertisement in legal notice section of newspaper.
- f. A month later have stock auction.

Mr. Hill moved and Mr. Brandt seconded to approve staff & the AFC's recommendations to establish the procedure as proposed for collecting unpaid water bills through the use of a stock auction. Motion carried.

History Documentation Proposal – Mr. Moorrees reported the Board approved a budget to complete the Company's history documentation from 1947 to the present. It was recommended by legal counsel, Tom McPeters to do this work at the Company's annual meeting in 2009. In January, the Committee recommended that Staff conduct an "in-vault" review with Rauch Communication Consultants (RCC) to determine a more accurate cost involved in producing a corporate chronological history of events from 1947 to date.

In March, RCC reviewed the "in vault" material with staff and performed some basic scans of the documents to ascertain the work involved in developing the history documentation. Utilizing a software

program back at their office they were able to automate the reassembly of the Company's minute books and converted the to a fully searchable Word documents. This process also overlaps our goal to digitize the Company's documents.

On March 26, RCC submitted their approach and estimated cost to continue the Company's written chronological history in the amount of \$17,690, recognizing that some of the additional cost for digitizing the information will also cover part of our budgeted record imaging project. This was presented to the AFC in March.

Mr. Hill asked if RCC has performed this kind of work in the past. Mr. Moorrees replied yes and stated we have worked with RCC in the past on our 125th anniversary. Mr. Hill asked why we were paying for camera and other items if they did this before. Mr. Moorrees stated this is overlapping our goal to digitize the Company's documents so the finished product would be searchable. Mr. Brandt asked if there were any other companies that do this kind of work. Mr. Moorrees stated we researched different universities with no response; however, received an interest from DragonFlyer Press and the author that did our story in the Upland's centennial book, but received no follow up response to our request. So RCC was the most responsive. Mr. Willis interjected that the universities were not interested because we are basically are not writing a historical novel but a dry report for legal reasons. Dr. Gattas moved and Mr. Quincey seconded to approve the AFC Committee's recommendation to authorize the Manager to execute a contract with Rauch Communication Consultants to prepare the Company's history documentation from 1947 to date in the amount of \$17,690 and appropriate an additional \$5,000 to the budget for a total of \$20,000 budgeted. Motion carried.

Disposal of old assets - The Company currently has no procedures or regulations on disposing equipment that has a value less than its useful life. A spreadsheet of equipment currently not used and stored in the Company's storage shed was presented and scheduled for disposal.

Options presented to the AFC for disposition were identified as follows:

- Donate the equipment
- Sell the equipment
- Throw away equipment

Mr. Elliott moved and Mr. Brandt seconded to approve the recommendation by the AFC to allow the Manager to make use his best judgment in disposing the surplus Water Company's equipment as listed. Motion carried.

Title Research Proposal - There have been several discussions on developing strategies to mitigate the sale of a home sold in the San Antonio Heights without a shareholding for water service; an issue that has been problematic for the Water Company. This issue and resolution was one referred to by legal counsel, Tom McPeters at the April 6, Annual Shareholder's meeting that was being worked on by staff.

Developed with legal counsel in a series of discussions, our current strategy is to file a notice of water service requirement with the County recorder outlining the conditions for water service or restriction on the transfer of real property [i.e. ownership of SAWCo shares]. The idea is for the notice to show up on title reports issued in connection with pending sales and hopefully cause a purchaser to make sure that stock was obtained as part of the sale.

A careful crafting of this notice by legal counsel is necessary for a title company to pick up and report to escrow giving notice of a requirement for transfer of certain real property that must have water stock to receive water service. In this way a lender should also see the notice and include any SAWCo shares in the Deed of Trust so that foreclosures would pass title of shares as well as the property.

In developing this process we need to identify the tracts to be listed on the notice for the title researchers to pick. Since Mr. Bob Reid was effective in providing the title research for the Water Company's water rights investigation, he was requested to provide a proposal. Mr. Reid can provide this service in the amount of \$7,500.

Whatever form the subsequent notice takes, this strategy may not be 100% effective, but over a period of time will increase as title companies practice problem avoidance as a matter of economy.

Mr. Moorrees reported that this issue was brought to the AFC and with a recommendation for the Board to approve a proposal by Title Research Consultant, Mr. Bob Reid to identify the tracts and lots in the Water Company's service area to establish a listing for notices in the amount not to exceed \$7,500 and appropriate \$9,000 from savings. Mr. Elliott requested an attorney's opinion on how this could be accomplished before we spend any money on it. Mr. Elliott stated he did not understand how someone could put a cloud on their title without the person's permission. In his experience in the last 30 years this has been impossible. Mr. Thomas stated that Mr. Elliott has brought up some questions that should be answered by legal counsel and recommended the General Manager work with him to find a solution. Mr. Moorrees stated he will work with the chair of the AFC and Mr. Elliott for answers to the questions and bring back issue to the Board in May.

End of Year Luncheon – Mr. Moorrees reported that a decision was reached to have the end of year luncheon at the Sycamore Inn. The date available for the luncheon is December 9th which means the Board might want to change the budget meeting from December 8th to the 9th. Mr. Thomas moved and Mr. Quincey seconded to move the budget meeting to the 9th and to have the end of year luncheon on the same day at the Sycamore Inn and consider other restaurant options if necessary in the future.

Citizens Patrol – This item was pulled and will be discussed at the next AFC meeting.

Project Status Report –

- **Urban Water Management Plan (UWMP)** – Mr. Moorrees reported receiving the UWMP update proposals and will be presenting them to the PROC on April 28th.
- **The Purchase of 46.82 Acres from S.A.L.T.** – The escrow closed last Friday on this purchase of land.
- **Well 27A Profile Analysis** – General Pump Company provided a proposal that we approved for \$31,376 to begin redeveloping Well 27A. They will be started the work next week.
- **Cucamonga Wash Crosswalls** – Mr. Moorrees reported having a meeting scheduled with Cucamonga Valley Water District (CVWD) and County Flood Control tomorrow afternoon.
- **Master Plan Update** – The consultant is working on an executive summary and it will be presented to the PROC on April 28th for recommendations.
- **Water Rights Investigation** – Mr. Moorrees reported meeting with Mr. Slater today and will have an answer to the license agreement later this week. Mr. Ridgeway may not be so willing and we may need to get our legal counsel involved. The United States Forest Service (USFS) has submitted the land exchange agreement between Mt. Baldy Homeowners Association and USFS. It is currently being reviewed by special legal counsel.

7. Closed Session – None

8. Director's Comments and Future Agenda Items – Mr. Hill reminded the Board and audience about the Lemon Festival that is going on this weekend. SAWCo has a booth and will be providing conservation items and information.

Mr. Thomas welcomed Mr. Quincey on the Board and to his first meeting.

Adjournment: Mr. Thomas announced that since there was no further business, the meeting was declared adjourned at 5:35 p.m.

Assistant Secretary