

**SAN ANTONIO WATER COMPANY**  
**MINUTES OF THE SAN ANTONIO WATER COMPANY**  
**Wednesday, December 4, 2019**

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 3:00 p.m. on the above date at the San Antonio Water Company, 139 North Euclid Avenue, Upland, California. Directors present were Tom Thomas, Bob Cable, Gino Filippi, Jose Sanchez, Martha Goss and Rudy Zuniga. Also in attendance were City of Upland Acting City Manager, City Engineer, and Public Works Director Rosemary Hoerning, and SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Director Thomas presided.

▪ Call to Order

1. Recognitions and Presentations: None.

2. Additions-Deletions to the Agenda: None.

3. Shareholder-Public Testimony: Ms. Hoerning spoke regarding the proposed replacement or consolidated facility. During the November 25<sup>th</sup> City of Upland Council Meeting some of the councilmembers expressed concern with SAWCo moving forward on designing a facility without fully understanding the commitments or needs the Company has that might result in some financial obligations to the shareholders. The City of Upland Councilmembers do not want SAWCo to move forward with the project until they fully understand what the Company's needs are. Ms. Hoerning spoke about space requirements for SAWCo and compared them to what the City of Upland Public Works Department is utilizing.

Mr. Thomas stated more would be discussed about the topic during the agenda item.

4. General Manager's Report on Activities:

**A. Request for Proposals – Comprehensive System Master Plan and Asset Management Plan –**  
Mr. Lee advised this item is included in the FY2020 Budget. In addition to the existing facilities, SAWCo aims to do a risk assessment on water production facilities and storage facilities. The goal is to foster ideas and concepts to help strengthen the ability to provide water in a catastrophic situation that causes key facilities to be inoperable.

Mr. Lee informed the Board of the estimated cost of the project which requires \$140,000 for the domestic water facilities and \$80,000 for the irrigation water facilities. He stated the project is crucial to the success of other projects the Company wishes to complete.

The PROC reviewed the Request for Proposal (RFP) during the November PROC meeting and recommended the item be taken to the full Board for review and possible approval.

Mr. Lee explained if the Board approves the item today he would like to send the RFP out with a January 14, 2020 response date.

Mr. Sanchez requested the project not be capitalized as it is a report and most likely should be expensed. He asked that the question be brought to the Certified Public Accountant. Mr. Sanchez also expressed concern that the previous Master Plan was completed in less than 5 years. He stated Master Plans should span 5 years if not longer.

Mr. Lee informed the Board that the Master Plan he is proposing provides a list of projects for the next 5 years.

Mr. Cable commented the projected cost is in line with what Master Plans cost as his most recent Master Plan for his business cost him roughly \$100,000 more to complete. Mr. Cable suggested projecting out further than 5 years even if the costs to do so increase the project cost.

Mr. Sanchez commented that the project somewhat resembles an asset refurbishment replacement model where the Company catalogs all assets, projects the longevity of the assets, and then schedules them for replacement. He encouraged staff to gear the project to allow for the periodic refresh of the Master Plan to be handled in house to reduce costs.

Mr. Lee requested the Board authorize the General Manager to release the RFP for the Comprehensive System Master Plan and Asset Management Plan to consultants.

Mr. Thomas moved and Ms. Goss seconded to approve the releasing the RFP for the Comprehensive System Master Plan and Asset Management Plan. Motion carried.

**B. Office and Operations Yard – Needs Assessment Review** – Mr. Thomas stated he believes there is a misconception by the City of Upland Councilmembers that SAWCo is planning on moving forward with building a new facility. Based on three correspondences received from shareholders, SAWCo took a step back from their original plan and decided to hire a consultant to look into all possible options for meeting the needs of the Company with regards to their office and yard facilities. These options include assessing the value of SAWCo's current office and yard facilities as well as other vacant property and to search property listings for sale located closer to SAWCo facilities to see if they meet the needs.

Mr. Thomas suggested staff work with Ms. Hoerning to schedule time to view available City of Upland facilities to determine whether or not one might meet SAWCo's needs better than their current facilities do. Mr. Thomas assured Ms. Hoerning that the Board and staff believed they were responding to the shareholders that expressed concern by looking into the alternatives.

Ms. Hoerning stated there are some councilmembers that are concerned about what the company truly needs.

Mr. Cable commented that SAWCo has been in its current location for over 90 years. When staff and Board look into what the needs are of the company they are looking at the next 100 years.

Mr. Sanchez expressed concerns that what was written in the newspaper was inconsistent with what is in the RFP. The RFP states that SAWCo wants to look at what the needs of the company are and compare those needs to what is available in the marketplace which was at the request of the few shareholders that had expressed concern. SAWCo responded to the shareholders concerns but apparently no one at the city council meeting was aware of that fact.

It was clarified that SAWCo's response letter to the City of Upland and the RFP were included in the city council meeting agenda packet.

Ms. Hoerning's interpretation of the City of Upland Councilmembers desires is that SAWCo not spend any money towards this project until after the Master Plan and Asset Inventory is completed.

Mr. Lee inquired if Ms. Hoerning herself or another city staff member could show SAWCo available city properties.

Ms. Hoerning replied she would have to look into that.

Fire station 2 was brought up as a vacant city location that SAWCo would be interested in looking at.

Ms. Hoerning advised that facility is not vacant.

Ms. Goss asked that Ms. Hoerning convey to the city council the message that SAWCo was trying to be responsive to their requests.

Mr. Zuniga explained that had the council waited for the meeting minutes or attended the most recent open meeting they would have seen that SAWCo had agreed to take a step back and look at other avenues and weigh out the pros and cons. The message that was conveyed to the City of Upland was that SAWCo was spending 4 million dollars on a new building which was not the case.

Mr. Filippi stated that if you look at the documents SAWCo has sent out, they repeatedly use the amount of 4 million dollars.

Mr. Zuniga replied that the number had previously been used but prior to the council meeting the project was revised. He believes showboating occurred at the city council meeting and he will clear the air via social media. There is a truth to be told which was not told at the council meeting. SAWCo took a step back as requested but was then hit hard at the council meeting for doing exactly what was requested of them.

Mr. Lee offered that if any council members have any questions or requests they are welcome to reach out to him or to Mr. Thomas. He was unaware of any council member reaching out to staff or board members for clarification.

Mr. Sanchez stated he spoke with Mayor Debbie Stone recently and inquired about her views on the project and she expressed none of the concerns that she was said to have had in the newspaper article. Based on what he read in the newspaper it appeared that not all of the information is being discussed. Mr. Sanchez found this fact discouraging because it creates distrust and animosity that he believes doesn't truly exist. He believes the board is very receptive to all of the input and the RFP is an indication of that because it completely changed after concerns were expressed.

Mr. Zuniga inquired as to whether or not the city council was okay with SAWCo moving forward with spending up to \$40,000 to have the consultant perform a needs assessment and explore the different avenues.

Ms. Hoerning replied she would need to go back to the council to receive clarification but stated she previously received direct feedback from the council that they did not want SAWCo to spend any money on the project.

Mr. Cable stated doing as the council wishes by not spending any money to find out what SAWCo's needs and options are is not feasible.

Mr. Lee stated he was given direction from the SAWCo Board in November to move forward and began doing so. He advised he had already spent money toward the project and will need to spend more money in order to present information to the city council in January. He advised that a portion of the "not to exceed \$40,000" was allocated towards public workshops, meeting with Board, and possible meeting with the city council.

Mr. Thomas reminded Ms. Hoerning of the email he sent her after the city council meeting to forward to the councilmembers. He stated two of the councilmembers are new and have not had a facilities tour. He offered a facilities tour and explanation of the history and function of SAWCo to those new to the council.

Mr. Lee advised the Board he is slowing down the project dramatically given the city council's reaction at their last council meeting. He is disappointed that the council did not request a SAWCo Board member or staff member speak during the council discussion as it could have helped clear up some misconceptions.

Mr. Lee also advised the Board he has been contacted by the Daily Bulletin and the Sentinel for comment. There is a good chance more news articles on the topic will be written.

## 5. Budget Workshop:

Copies of the proposed 2020 budget were provided to attendees. Mr. Lee delivered a PowerPoint presentation reviewing the projected versus actual for 2019 and then reviewed the handout for FY2020.

- A. “Draft” FY2020 – Administration and Operations Budget** - Mr. Lee presented the original budget amounts for 2019, funds generated and/or used through August of 2019 as well as projected through the end of the year, and the budgeted amount for 2020.

### Revenues

Projected water sales for 2019 are 10,800 acre feet (AF), however SAWCo is on track to deliver 11,600 AF by year end. The projected revenue for 2019 is \$5,201,000 however staff foresees revenue reaching \$5,045,000.

### Expenses

Expenses were projected to reach \$3,497,000 but are expected to reach \$3,270,000 in 2019.

- B. “Draft” FY2020 Capital Improvement and Capital Outlay Budget**

Budgeted Capital Expenses for 2019 total \$2,751,000 however SAWCo now projects \$1,400,000 will be spent on capital. A primary reason for the discrepancy is that no invoices have been received for work on the Campus Avenue Waterline Project and the WFA waterline project being stalled.

Projects such as the Holly Drive Reservoir and the Cucamonga Crosswalls totaled less than expected for completion saving the water company roughly \$200,000. Locating a used valve for the 24” Valve at the Edison Box saved SAWCo \$44,000. The back-up cell for the Miox system was no longer needed as SAWCo switched to sodium hypochlorite and no monies were spent on the Office and Yard Relocation Project which reduced expenses by \$145,000.

Mr. Lee proposed raising entitlement for 2020 to 13,000 AF. For active shares that would provide for 12,570 AF.

Projected revenue for 2020 is \$5,405,988 with expenses projected to reach \$3,224,070.30. The proposed budget for capital improvements sits at \$2,301,800 which will require staff to pull from reserves.

Mr. Lee explained that SAWCo is reviewing its reserves policy which is expected to increase percentages earned and lower the amount required to be held in reserves.

Mr. Lee then reviewed the line items of the expense budget for 2020 and asked for questions.

Mr. Zuniga inquired about rebates. Mr. Lee, Board and attendees discussed the mechanics of a possible rebate and other options available.

Mr. Sanchez commented he believes the amount SAWCo has in reserves is too high, however, an analysis should be completed prior to implementing any new action. He also advised all to be weary of wild rate swings.

The issue of how to allocate a rebate when domestic shareholders move in and out of the service area during the year was discussed. SAWCo was also able to deliver full entitlement in 2019 but that is not always the case. Revenues are reduced when full entitlement is not delivered.

There was consensus to not account for a rebate in the 2020 budget.

Mr. Filippi exited the meeting at 4:06 p.m.

There was expressed concern for raising entitlement considering the uncertainty of rain in the upcoming year.

Mr. Zuniga and Ms. Hoerning exited the meeting at 4:17 p.m.

Mr. Sanchez requested adding improved financial reporting under 2020 Goals & Objectives.

Mr. Lee then presented and explained the need for each of the proposed capital improvement projects for 2020.

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

Adjournment: 4:46 p.m.

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Assistant Secretary  
Brian Lee