



MEETING AGENDA
for
ADMINISTRATIVE & FINANCE COMMITTEE
April 23, 2019 @ 3pm
At Company Office 139 N. Euclid Avenue, Upland, CA

- Call to Order

1. Recognitions and Presentations:

2. Additions-Deletions to the Agenda:

3. Public Comments

This is the time for any shareholder or member of the public to address the committee members on any topic under the jurisdiction of the Company, which is on or not on the agenda. Please note, pursuant to the Brown Act the Committee is prohibited from taking actions on items not listed on the agenda. For any testimony, speakers are requested to keep their comments to no more than four (4) minutes, including the use of any visual aids, and to do so in a focused and orderly manner. Anyone wishing to speak is requested to voluntarily fill out and submit a speaker's form to the manager prior to speaking.

4. Approval of Committee Meeting Minutes

Regular Committee Minutes of February 26, 2019.

5. Administrative and Financial Issues:

A. Company Bylaws Article X

Recommend ratification of existing Bylaws

B. Ad hoc Office Relocation Committee

Recommend appointing member and alternate to Ad hoc Committee

6. Closed Session:

A. Water Rights. (§54956.9 (c))

7. Committee Comments and Future Agenda Items:

- This is the time for committee's comments and consideration on future agenda items relative to the interests and business of the company and its shareholders.

8. Adjournment:

The next regular Administration and Finance Committee meeting is scheduled for June 25, 2019, at 3:00 p.m.

NOTE: All agenda report items and back-up materials are available for review and/or acquisition at the Company Office (139 N. Euclid Avenue, Upland, CA.) during regular office hours, Monday through Friday [7:30 – 11:30 and 12:30 – 4:30]. The agenda is also available for review and copying at the Upland Public Library located at 450 N. Euclid Avenue.

POSTING STATEMENT: On April 18, 2019, a true and correct copy of this agenda was posted at the entry of the Water Company's office (139 N. Euclid Avenue), on the public bulletin boards at 450 N. Euclid Avenue (Upland Public Library) and 460 N. Euclid Avenue (Upland City Hall), and on the Water Company's website.

SAN ANTONIO WATER COMPANY
ADMINISTRATION and FINANCE COMMITTEE (AFC)
MINUTES

February 26, 2019

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:03 p.m. on the above date at the Company office located at 139 N. Euclid Ave., Upland, California. Committee Members present were Bob Cable, Jose Sanchez, and Tom Thomas. Also in attendance were SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Assistant Kelly Mitchell. Ms. Sundell presided.

Mr. Thomas designated Mr. Sanchez to Chair the meeting due to the recent resignation of the previous Chair, Ms. Sue Sundell.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Thomas moved and Mr. Cable seconded to approve the meeting minutes of October 23, 2018. Motion carried.
5. Administrative and Financial Issues:
 - A. ***Stock Auction – May 2019*** – Mr. Lee stated the item is straight forward and follows the process SAWCo has been using.

The committee then briefly discussed the process which has been in place since 2009.

There was consensus on the Committee to recommend the Board approve the proposed stock auction and timeline presented.

- B. ***General Liability Insurance and Cyber Liability Renewal*** – Mr. Thomas advised of the benefits of this policy such as coverage and pricing as well as the benefits experienced by having multiple insurance types with the same carrier.

Mr. Thomas moved and Mr. Cable seconded to recommend the Board approve the premium update and Cyber Insurance with JPRIMA for the General Liability renewal as presented by EPIC at the annual premium of \$28,891. Motion carried.

- C. ***Salary Range Adjustment*** – Mr. Lee advised there are two questions before the Committee regarding the salary range adjustment. First is which Consumer Price Index to utilize for the adjustment; Los Angeles-Long Beach-Anaheim or Riverside/San Bernardino/Ontario? Second, does the Committee wish to recommend adjusting the Company salary tables to match inflation?

Staff asked the Committee to recommend the Board adjust the Company's salary tables 3.0% upward based on the Riverside/San Bernardino/Ontario Consumer Price Index for Urban Wage Earners and Clerical Workers change from January 2018 to January 2019.

There was consensus on the Committee to recommend the Board adjust the Company's salary tables 3.0% upward based on the Riverside/San Bernardino/Ontario 'Consumer Price

Index for Urban Wage Earners and Clerical Workers' change from January 2018 to January 2019.

6. Closed Session: None.
7. Committee Comments and Future Agenda Items: Mr. Lee stated he will bring to the Committee the Company's public relations efforts regarding water rights in San Antonio Canyon.

Mr. Cable proposed a future agenda item regarding a lease option for the portion of the 17th and Benson Avenue site the City of Upland intends to purchase.

Mr. Lee advised the agreement for the purchase of a portion of the 17th and Benson Avenue property is scheduled to be included on the City of Upland Council Meeting agenda in early March.

8. Adjournment: The committee determined there was no further business and adjourned the meeting at 3:22 p.m.

The next regular Administration and Finance Committee meeting is scheduled for April 23, 2019 at 3:00 p.m.

Assistant Secretary
Brian Lee

Item Title: Company Bylaws Article X

Purpose:

To review the Company's Bylaws

Issue:

Are the Bylaws being applied appropriately regarding entitlement deliveries?

Manager's Recommendation:

Ratify Company Bylaws as written.

Background:

The Company has been asked to facilitate a paper transfer of Chino Basin water as a means of meeting miscellaneous shareholder entitlement in the extended area of service. The Company Bylaws prohibit such action. The Bylaws identify:

- How water is to be supplied to shareholders (Section 10.01),
- Three distinct classes of service (Section 10.02) with specific definitions, and
- Requirements for service in the Extended Area (Section 10.04 (3)).

Per the Bylaws, the Company can only deliver water to a miscellaneous shareholder within the Extended Area through the Company's distribution system to a place proposed by shareholder and approved by the Board.

Because the shareholder does not have a connection to the Company's distribution system staff has asked the shareholder to designate the place where delivery of water is to be made for Board consideration. Shareholder responded that shareholder, "...would like to take delivery of its share entitlement water in the same fashion as in prior years; as a transfer of Chino Basin water." Shareholder is referring to the one-time transfer that occurred in early 2018 to correct a mistake made by the prior General Manager. At that time the Board was clear that the transfer was a one-time event (see attached minutes).

At its regular April 2019 meeting the Board asked staff to bring this issue to the AFC.

The Board, in its discretion, may choose to grant an exception to the Company Bylaws. Staff strongly discourages such action. Exceptions to the Bylaws weaken the Bylaws. The Company stands ready to deliver shareholder entitlements as soon as shareholder fulfills its obligations.

Impact on the Budget:

None

Previous Actions:

None

Corporation or corporations may be exercised by any of these Officers in person or by any person authorized to do so by a proxy duly executed by these Officers.

Section 8.07 Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, the term “person” includes both a Corporation and natural person and the use of any gender, be it masculine, feminine or neuter, shall include all the genders.

ARTICLE IX

Amendments

Section 9.01 Amendment by Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that if the Articles of Incorporation of the Corporation set forth the number of authorized Directors of the Corporation, the authorized number of Directors may be changed only by an amendment of the Articles of Incorporation.

Section 9.02 Amendment by Directors. Subject to the rights of the Shareholders as provided in Section 9.01, Bylaws, other than a bylaw or an amendment of a bylaw changing the authorized number of Directors, may be adopted, amended, or repealed by the Board of Directors.

ARTICLE X

Water Service

Section 10.01 Right to Service. No water shall be supplied by company to any one who is not a shareholder, and **all water shall be supplied at cost.** Subject to the rules, regulations, bylaws and determinations of the board, each shareholder shall be entitled to receive such part of the entire water of the company **that is available for distribution** as the number of shares of stock held by him bears to the number of shares outstanding.

Section 10.02 Classes of Service. There shall be three classes of service determined by use, to be known respectively as **“domestic”** (being water treated by the company and directly delivered to shareholders **through the company distribution system**), **“municipal”** (being untreated water and delivered to shareholders who in turn treat the water for delivery of domestic, commercial and other users through their delivery systems) and **“miscellaneous”** (being

untreated water directly delivered to shareholders through the company distribution system for a variety of legally permissible uses, including farm irrigation, golf course watering, and rock company operations). Any share or fractional share receiving one service shall not be entitled to any of the others, except in those instances, and then only to the extent necessary, where limitations of the distribution system require otherwise to efficiently deliver the shareholder's entitlement to water. Tolls or charges may be different in the different classes, and may also differ in the same class where the cost to the company of the service is not uniform.

Section 10.03 Right-of-Way for Distributing System. The company shall have a permanent and continuing easement and right-of-way in, over, upon and across all highways and streets contiguous to the lands served for the purpose of constructing, enlarging, inspecting, maintaining, protecting, and operating its water distributing system with all pipes, hydrants, connections and meters, and the right once exercised for one or more of said purposes shall not exclude the right to exercise it at some subsequent time for other, or others, of said purposes.

The company shall also have a like easement and right-of-way upon like conditions, in, over, upon and across the premises of each shareholder for the purpose of operating its water service to such shareholder.

Each shareholder, by applying for or taking service from company confers upon company such right-of-way, and consents that company may enter upon such highways and the premises of the shareholder from time to time and any time for the purpose of exercising such rights, and that cessation of service by or to the shareholder shall not affect or impair said rights.

Each shareholder shall, upon demand of company, either before or during the continuance of service, confirm and assure such right-of-way to and in company by executing, acknowledging and delivering to company a separate instrument in form and provisions prescribed by company.

Section 10.04 Basic Area and Extended Area. As used in this Section "Basic Area" means:

(1) All lands south of 14th Street prolonged east and west;

(2) All lands bounded by Campus Avenue on the East, 24th Street prolonged east and west from Euclid Avenue on the North, Mountain Avenue on the West and 14th Street on the South; and

(3) All other lands which were supplied with water by the company before the 23rd day of February, 1932, and as to which the right of service was established before September 1, 1937, pursuant to the provisions of Section 8 Article XVII of the Bylaws of the company which section was adopted February 26, 1937.

The term “Extended Area” as used herein means all lands not included in the Basic Area.

The water shall be furnished by the company within the Extended Area unless and until

(a) The shareholder proposing to receive such service of water shall have designated in writing to the company the place where delivery of water is to be made and the number and identity of the shares of the company under which such delivery is to be made; and

(b) The board shall have determined that such service will be feasible without adversely affecting service to other shareholders then entitled to receive water; and

(c) The board shall have fixed a “connection charge” and the manner in which it shall be paid; and

(d) Such shareholder shall have paid or provided for the payment of such connection charge, in the manner fixed by the board.

The connection charge shall be determined by, or in a manner fixed from time to time by the board, and shall be based upon and represent as nearly as may be the portion, if any, of the capital investment by the company for service to the extended area which has been or will be occasioned by the service applied for. The connection charge may be based upon capital costs incurred or to be incurred directly or indirectly for or by reason or in anticipation of the service applied for, including investments for pumps and installations, pipe lines, extensions and enlargements, whether within the Extended Area or Basic Area.

Further, in the Extended Area no shareholder shall be entitled to receive water at a different place of delivery than so designated or in a greater quantity than may be furnished under the number of shares that has been so designated except upon an additional designation, determination, fixing of connection charge if any, and payment of provisions for payment thereof as above provided.

THOMAS H. MCPETERS, ESQ.
700 E. Redlands Blvd., Suite U - 297
Redlands, CA 92373

TEL. (909) 253-7730

FAX (909) 253-7731

Lisa De Benedet
Senior Paralegal

SENT VIA EMAIL

April 15, 2019

Brian Lee
General Manager
San Antonio Water Company
139 North Euclid Avenue
Upland, CA 91786

Re: Obligation of Water Company to Deliver Entitlement to Shareholders

Dear Brian:

The jurisprudence with respect to mutual water companies is almost exclusively found in judicial decisions. The decisions date from about 1860.

The Statutory law with respect to mutual water companies is, and always has been, very slim.

The Statutory law only states that a mutual water company must be operated at cost, and deliver water only to its Shareholders in proportion to ownership. The Statutory law does not go beyond those conceptual points.

The Articles of Incorporation largely track the requirements of the Statutory law. No more detail than that is included in the Articles of Incorporation. This is true of all mutuals, not just the Water Company.

The Bylaws incorporate some of the basic concepts set forth in the judicial decisions, but not all.

The management of the Water Company is vested in its Board of Directors. The general obligation of the Board of Directors is to be reasonably well informed and to administer the operations of the Water Company in the best interest of the Shareholders as a whole, as it perceives that to be. The Board of Directors is exempt from legal liability as long as it meets the foregoing.

The Board of Directors determines what water is available for distribution to its Shareholders. In making that determination, the Board of Directors can take into account a whole host of factors if it deems those factors to be important to the overall operation of the Water Company.

April 15, 2019
Brian Lee
General Manager
Page Two

The Water Company delivers water to its Shareholders through its distribution system. Shareholders are connected to the distribution system with the consent of the Water Company. No shareholder can connect to the distribution system without the consent of the Water Company.

The Water Company is not obligated to deliver water to Shareholders by means other than through its distribution system. That is the way the Water Company has always operated. This is true with respect to all mutuals.

The Water Company may deliver water to Shareholders by means other than through its distribution system in its discretion. In exercising that discretion, the Water Company can take into account all of the impacts and implications of making the delivery in that non-traditional form.

The Water Company has entered into Water Service Agreements with certain municipalities who do not have connections to the Water Company distribution system. Delivery through these Agreements is completely discretionary. The public entities that have signed these Agreements recognize that deliveries pursuant to the Agreements is completely discretionary with the Water Company. The Agreements reflect what the law will otherwise require. The Water Company is not obligated to deliver water to Shareholders by non-traditional means. It's obligation is limited to delivery through the distribution system.

The Water Company has never included water in storage in the Chino Basin as available water for distribution. The Entitlement set each year is without regard to the water in storage.

The Water Company has determined not to make available to Shareholders the water in storage in Chino Basin. It is a decision that has been made taking into account the facts and implications for the Shareholders as a whole. That water is being reserved as a source for payment of a forthcoming "desalter obligation" of a considerable amount. That is a reasonable decision that has been made and cannot be successfully challenged.

The Water Company generally tries to treat similarly situated Shareholders alike. It is not strictly required to adhere to that standard, but has thus far adopted that. No Shareholder is slated to receive a distribution of water from water in storage at Chino Basin.

One rule of mutual water company jurisprudence that you should be aware of is this: a Shareholder cannot demand water service from any particular water source of the Water Company. The Water Company determines from what source water will be delivered to a Shareholder.

Very truly yours,



Thomas H. McPeters
S0270-427

6. General Manager's Report on Activities:

A. Annual Shareholder's Meeting – Director Thomas commented on the fact that SAWCo has had the same trusted Inspectors of Election; Donna Hawthorne, Peter Cherback, and Betty Garrison, for many years.

Director Sanchez moved and Director Cable seconded to request the Board reappoint the same Inspectors of Election from the previous Annual Meeting. Motion carried.



B. Conservation Programs Update – Mr. Moorrees presented a proposal to the PROC from American Leak Detection. The current leak detection program SAWCo offers has not been very successful. SAWCo is looking to partner with a reputable leak detection company to better serve its shareholders. Mr. Moorrees will also be presenting to the Committee an opportunity to participate in a pilot program with the same company.

C. Personnel – Employee Departure – Mr. Moorrees announced the resignation of the Accounting and Personnel Specialist, Joni Ruggles due to health reasons. Ms. Ruggles' last day of employment will be February 16, 2018. Management is working with the personnel attorney to explore the possibility of an agreement with Ms. Ruggles, if necessary, to allow extra time for a smooth exit. Staff has begun the recruiting process for her position with a closing date of February 8, 2018. The position is expected to be filled by mid to late March. A farewell luncheon will be scheduled.

D. Calmat Water Transfer Request – Mr. Moorrees explained that SAWCo received a request last year to transfer water from Chino Basin to Calmat. The potential transfer caused a question of validity since Calmat was not an Appropriative Pool member. Mr. Moorrees withdrew his original transfer of 4.375 acre feet (AF) to Calmat since they were not eligible. Calmat has since intervened in the Appropriative Pool and the court backed the decision on December 15, 2017.

During the December Board meeting Mr. Bowcock, representing Calmat, requested the Board consider the 4.375 AF for 2017. Mr. Moorrees was going to take the item to the PROC but felt there was no controversy in executing a onetime water transfer.

Director Sanchez clarified that this transfer was solely for 2017 entitlement.

Director Elliott moved and Director Gerardi seconded to approve the onetime transfer of 4.375 AF of water to Calmat from SAWCo's Chino Basin storage account. Motion carried.

E. Project Status Report –

- **Cucamonga Basin - Desilting Project at Crosswalls** - Mr. Moorrees advised the Board he was promised a Nationwide permit from the Army Corps of Engineers by the end of 2017 but has yet to receive one. This is the only regulatory permit for this project that SAWCo is waiting on.
- **Basin 6 Desilting** – The Regional Water Quality Control Board (RWQCB) rejected SAWCo's permit without prejudice. The reason it was rejected is because when the environmental document was sent out for 30 day review period they failed to include the tribal consultation and was not presented to RWQCB within their statutory limitations. This has been corrected and the documents have been recirculated for review. The review period ends January 22nd after which the document will be taken to the Board of Supervisors for approval. It will then be given to the environmental regulatory agencies for approval. This project should take only a couple of days to complete.
- **Water Rights Investigation** – Activity – meeting with Fred Fudacz tomorrow regarding moving forward with the water rights investigation. SAWCo hasn't received word from the lobbyist in Sacramento with regard to getting a meeting with the State Board.

7. Closed Session: None.

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