

SAN ANTONIO WATER COMPANY
ADMINISTRATION and FINANCE COMMITTEE (AFC)
MINUTES
April 23, 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, Rudy Zuniga, and ex officio Tom Thomas. Also in attendance were Bob Bowcock representing CalMat Co. and SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Mr. Sanchez presided.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Cable moved and Mr. Zuniga seconded to approve the meeting minutes of February 26, 2019. Motion carried.
5. Administrative and Financial Issues:
 - A. ***Company Bylaws Article X*** – Mr. Lee advised SAWCo received a request from CalMat Co. to affect a transfer of water in the Chino Basin in October of 2018. Mr. Lee acknowledged the request but was newly seated in his position at the Company and needed additional time for consideration. He advised, that if approved, he would honor the request for the year in which it was made. In January of 2019 Mr. Lee advised CalMat Co. that SAWCo would not be authorizing any transfers in Chino Basin for 2018.

This item was previously brought to the Planning, Resources, and Operations Committee (PROC) and the SAWCo Board for direction. The Board suggested the item go to the AFC for additional discussion and direction. Mr. Lee has researched the Company Bylaws and discussed with legal counsel their interpretation. The agreed upon interpretation of the Company Bylaws is that SAWCo can only deliver water to a miscellaneous shareholder within the extended area through the Company's distribution system to a place proposed by the shareholder and approved by the Board. Mr. Lee advised against making an exception or waiver to the Bylaws as an attempt to do so would weaken them. He asked that the Committee ratify the Company Bylaws.

Mr. Lee advised he spoke earlier to Ms. Rosemary Hoerning, City of Upland Public Works Director, who agreed with the Company Bylaws interpretation. She cautioned staff about the laws of unintended consequences.

Mr. Bowcock supported staff's recommendation but felt the Company Bylaws are subject to a lot of interpretation. He interpreted legal counsel's opinion to be the Board could do as they please. The request for transfer out of Chino Basin, he stated, was because it facilitated an ease for SAWCo in that no treatment or delivery of the water was needed in order to get the water to the shareholder. He then described the evolution of mutual water companies and stated he believed it in the jurisdiction of the Board to be flexible with the interpretation of the Company Bylaws.

Mr. Thomas advised that the examples given by Mr. Bowcock all involved the delivery of 'wet water' not 'paper water' which is what CalMat Co. is requesting. Mr. Bowcock advised he would take 'wet water' but it would cost SAWCo more money to provide that type of

water. Mr. Thomas reiterated the Company Bylaws which state there needs to be a point of delivery for miscellaneous shareholdings. Mr. Bowcock countered the Board could be flexible with that interpretation and allow for the transfer of 'paper water'.

Mr. Cable inquired whether CalMat Co. was requesting all of their entitlement at once. Mr. Bowcock replied he would like it to be something that is on the calendar to simply be transferred every year. Mr. Cable advised he is opposed to transferring 'paper water'. He stated SAWCo is in the business of selling 'wet water' and he'd hate to see a transfer of 'paper water' cause them to be short in delivering the type of water they are in the business to sell.

Various scenarios for delivering water to CalMat Co. were discussed. Mr. Bowcock will compose a written request for delivery of water with a specific location for SAWCo to delivery 'wet water' for them to take. This request will then be presented to the Board for possible approval.

Mr. Cable moved and Mr. Zuniga seconded to ratify the Company Bylaws. Motion carried.

The Committee directed Mr. Lee to bring to the Board the proposed delivery of wet water to the shareholder and any potential effect it may have on water storage accounts in the basins and with regard to entitlements that may be due to all shareholders.

B. *Ad hoc Office Relocation Committee* – Mr. Thomas clarified the Ad hoc Committee has been comprised of one member from the PROC, one member from the AFC, himself, the General Manager, the Assistant General Manager, and the Water Utility Superintendent. The member from AFC has been left vacant due to former Director Glenn Bozar leaving his position on the Board.

There was consensus on the Committee to appoint Mr. Cable to the Office Relocation Ad hoc Committee with Mr. Sanchez as the alternate.

6. Closed Session:

A. Water Rights. (§54956.9(c))

The Committee went into closed session at 3:44 p.m. The meeting reconvened at 4:14 p.m. with no action taken.

7. Committee Comments and Future Agenda Items: None.

8. Adjournment: The committee determined there was no further business and adjourned the meeting at 4:14 p.m.

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

Assistant Secretary
Brian Lee