

**SAN ANTONIO WATER COMPANY**  
**MINUTES OF THE SAN ANTONIO WATER COMPANY**  
**Thursday, December 6, 2018**

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 2:03 p.m. on the above date at the San Antonio Water Company, 139 North Euclid Avenue, Upland, California. Directors present were Will Elliott, Bob Cable, Tom Thomas, Gino Filippi, and Jose Sanchez. Also in attendance were City of Upland Councilmember Sid Robinson and Public Works Director Rosemary Hoerning, and SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Water Utility Superintendent Tommy Hudspeth. 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 acquisition of the property located at 17<sup>th</sup> Street and Benson Avenue in Upland, California. She expressed appreciation for consideration of an extension in utilizing the original appraisal price as the purchase price. Utilizing that particular location is key to the City of Upland building their much needed reservoir.

Ms. Hoerning also commented on the impact SAWCo's most recent water rate adjustment has had on the cost of City of Upland's water sources. She noted the cost of a new corporate office was not factored into the water rate adjustment and cautioned against any rate increases to facilitate SAWCo building and moving to a new location.

Mr. Thomas commented the goal was to have the funds from the sale of the southern portion of 17<sup>th</sup> Street and Benson Avenue property, and the current company office and yard facility cover the bulk of the costs to build a new, combined company office and yard facility. Raising rates to cover the building and move has not been considered. A loan to cover any differences or pulling money from reserves are more likely options should more funds be needed.

Mr. Lee thanked Ms. Hoerning for her comments and concerns.

4. General Manager's Report on Activities: None.

5. Budget Workshop:

Mr. Lee explained his approach to budgeting for the upcoming year(s). He hoped to plan well enough ahead that the rate and revenue structures won't be suddenly changed or impacted. He commented that SAWCo is one of the healthiest water companies he has seen in terms of finances.

City of Upland Councilmember Sid Robinson entered the meeting. He also expressed his concern of SAWCo raising rates.

Copies of the proposed 2019 budget were provided to attendees. Mr. Lee delivered a PowerPoint presentation and reviewed the handout.

**A. "Draft" CY2019 – Administration and Operations Budget** - Mr. Lee presented the original budget amounts for 2018, funds generated and/or used through September of 2018 as well as projected through the end of the year, and the budgeted amount for 2019.

**Revenues**

Budgeted revenues for 2018 total \$5,130,240 with projected revenue coming in at \$4,444,050. This variance is mostly attributed to SAWCo not delivering all shareholders entitlement to water.

The net projected end of year Income, excluding depreciation, is roughly \$440,000.

Projected water sales for 2019 are 10,800 acre feet (AF) which is 1,200AF less than total entitlement. The total projected revenue for 2019 is \$5,201,000. This amount includes \$500,000 from the sale of the south portion of the 17<sup>th</sup> Street and Benson Avenue site.

**Facilities and Operations and Maintenance Expenses**

Facilities and Operations and Maintenance Expenses are projected to reach \$1,784,999 in 2018.

A total of \$2,122,000 is budgeted for Facilities and Operations and Maintenance Expenses in 2019.

**General Administrative Expenses**

A total of \$1,375,000 of General and Administrative Expenses is projected for 2019.

Budgeted Total Operating Expenses are \$3,549,391 for 2018 with projected total Operating Expenses expected to reach \$3,001,261 by the end of the year.

The projected Total Operating Expenses for 2019 are \$3,497,000.

***B. "Draft" CY2019 Capital Improvement and Capital Outlay Budget***

Budgeted Capital Expenses for 2018 total \$1,971,124 with the Capital Expenses for the year projected to be under budget at \$1,000,000.

The projected Capital Expenses for 2019 total \$2,751,000. A transfer of \$1,047,000 from Depreciation & Obsolescence Reserves (Capital Reserves) is expected.

Mr. Lee advised of the amounts currently held in SAWCo's operating reserves account and capital reserves account. He felt more was being held in the low rate checking account than what was needed and proposed keeping three months of operating costs in the checking account and moving the remaining amount into a high yield account.

Mr. Lee presented a list of proposed capital projects for 2019 which were categorized as either a capital improvement/replacement project or an inventory capital project.

Several projects will carry over into 2019; Campus Avenue Waterline Replacement, Basin 6 Infiltration Restoration, WFA Pipeline Connection, Holly Drive Reservoir Site Improvement Phase 1 and 2, Reservoir 7 Reroofing, SCADA Master Computer Replacement, and Office Relocation. Mr. Lee reviewed the carry-over projects; their budgeted amounts, expended amounts and the amount budgeted to be spent in 2019 to complete the projects.

Mr. Lee then presented additional Capital improvement/Replacement projects to begin in CY2019. These projects consist of the Edison Box 24" Drain Valve, Retail Meter Replacement, WFA Pipeline Connection, and Cucamonga Crosswalls Environmental Mitigation.

Historically SAWCo has itemized depreciation as an operating expense, however, Mr. Lee advised it should be recognized as a liability. Depreciation should be accounted for when settling company net position and net change in position. Capital expenditures are also included when settling net position, ideally balancing out depreciation.

Mr. Lee advised his efforts for the upcoming year will be to focus on constructing projects already under design, tightening the facility asset management plan, and developing a 5-year and 10-year capital improvement plan.

6. Director's Comments and Future Agenda Items:

Staff was asked to separate the accounting and legal expenses on the General Administrative Expenses portion of the budget and to state SAWCo's net cost of the Edison Ponds project as the City of Pomona will be sharing in the costs.

Adjournment: 3:10 p.m.

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Assistant Secretary  
Brian Lee