

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

January 29, 2013

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:00 p.m. on the above date at the Company office located at 139 N. Euclid Ave., Upland, California. Committee Members present were Sue Sundell, Glenn Bozar, Bob Cable, and Tom Thomas. SAWCo's General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton were also in attendance. Ms. Sundell presided.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Bozar moved and Mr. Cable seconded to approve the meeting minutes of November 13, 2012 as presented. Motion carried with Mr. Thomas abstaining.
5. Administrative and Financial Issues:
 - A. **401K Safe Harbor Plan** – Mr. Moorrees explained that SAWCo currently offers a traditional 401K plan. With the traditional plan SAWCo must comply with the IRS requirements to avoid discriminating in favor of highly compensated employees (HCE's) with "top heavy" plans (paying these HCE's more as a percentage of pay than other employees).

There are many advantages of having a Safe Harbor Plan. One of the advantages is that SAWCo would not have to comply with the IRS's Non-Discrimination Testing which requires the review of HCE's that make more than \$115,000 and compares the percentage of what they put into the plan against the percentages that non HCE's put in. If the discrepancy between the HCE's and non HCE's is greater than 2% money is deducted from the HCE's accounts in order to get the percentage back into alignment. With the changes staff will also be able to set aside more money regardless of what type of employee they are. Up to \$17,500 every year can be deferred and up to \$23,000 if the employee is over 50 years of age. Also, the Safe Harbor Plan has a unique matching feature that is not like most traditional 401K plans. SAWCo already has this matching feature and the company will not be obligated to any additional contribution above what is currently being made.

One of the disadvantages of the Safe Harbor 401K Plan is that it has specific employer contributions so the employer has less flexibility than is available with a traditional 401K plan. All employer safe harbor contributions are always 100% vested which is the case with SAWCo's current 401K Plan. An annual safe harbor notice is required to be distributed by the employer to all eligible participants.

Mr. Cable moved and Mr. Bozar seconded to approve the Safe Harbor 401K Plan. Motion carried with Mr. Thomas abstaining.

B. Proposed Fee Schedule Amendment – Mr. Moorrees stated that the proposed fee schedule amendment will mostly affect fees involving development. Mr. Moorrees presented data on the cost for late payments, broken/missing locks, etc. and compared them to other local agencies such as Monte Vista Water District (MVWD), City of Upland, Cucamonga Valley Water District (CVWD), Riverside-Highland, and Gage Canal. The date of the last change and the percentage of change were included. Mr. Moorrees reviewed the entire proposed fee schedule amendment spreadsheet with the committee for discussion.

Mr. Thomas commented that anytime a time study is done it is taken out of context that there is are certain soft costs associated. The field staff is already being paid to be here. It may not be entirely fair to charge the actual fee. Mr. Thomas felt that an increase of more than 50% would not be accepted.

There was discussion among the committee members about the fee for broken/missing lock and possibly incorporating that into the new meter tampering fee with different prices depending on the number of offenses. It was suggested that the meter tampering fee have a base fee plus an additional amount charged for extra services if needed.

Mr. Thomas questioned the variance in fees from a 5/8” or 3/4” meter to a 1” meter in regards to capital facilities connection fee. Mr. Moorrees explained that the flow from the larger of the two meters allows for double the flow, therefore double the demand on the system. With no current known methodology Mr. Moorrees suggested a 3% increase for all capital facilities connection fee.

Mr. Moorrees will adjust the amounts as discussed and bring the fee schedule back to the AFC.

6. Closed Session: None.

7. Committee Comments and Future Agenda Items: Ms. Sundell stated that she was unaware of SAWCo’s current investment policy and felt it would be beneficial for the AFC to review the policy. Mr. Moorrees will bring the investment policy to the next AFC meeting.

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

Assistant Secretary
Charles Moorrees