

SAN ANTONIO WATER COMPANY
 ADMINISTRATION and FINANCE COMMITTEE (AFC)
 MINUTES
 January 26, 2010

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:05 p.m. on the above date at the Company office located at 139 N. Euclid Ave., Upland, California. Committee Members present were Dr. Fred Gattas, and Tom Thomas. General Manager Charles Moorrees and Assistant Manager of Administration and Finance Teri Layton were also in attendance. Mr. Thomas presided.

1. Recognitions and Presentations: None.
2. Additions / Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes – Dr. Gattas commented that he did not get a committee packet. He printed the agenda off SAWCo’s website. Mr. Moorrees recommended future emails be sent with a return receipt attached to ensure the directors receive the necessary information. Dr. Gattas reviewed the minutes presented. Dr. Gattas moved and Mr. Thomas seconded to approve the meeting minutes of November 24, 2009. Motion carried.
5. Administrative and Financial Issues:
 - A. *401K Enhancement* – In order to enhance the 401k to be more in line with PERS, Mr. Moorrees presented a change in the Employer match percentage. The years of service was also adjusted so an employee did not have to wait 16 years to receive the high end of 7%. The proposed schedule was as follows:

Years of Service	Employer Match to 1.5% Employee Deferral
1-2	3%
3-5	5%
6-10	7%
11 or more	10%

Dr. Gattas mentioned that with what is going on in the industry and 17% unemployment rate in the area; freezing employee benefits are being considered. Given the current economy, Dr. Gattas recommended this isn’t the time to be increasing compensation. He felt from a public relations standpoint, that this wasn’t the time to do it and suggested a freeze for one year. Mr. Thomas stated he thought we should make the adjustment since we are so out of whack with the service years. He felt this would not affect the budget too much and would help to retain the newer employees. However, he stated he has not seen too many companies go over 6% and recommended capping the amount at 7 ½ %. This means that after 6 years all the employees would be entitled to 7 ½ % matching.

It was discussed that the 401k is not a matching plan. The employee currently only has to put in the lowest percentage which is 1 ½ % and the employer puts in based on the years of service schedule. Mr. Thomas suggested to Mr. Moorrees to research if it would be possible to require matching funds or at least 50% matching. The new proposed schedule is as follows:

Years of Service	Employer Match to 1.5% Employee Deferral
1-2	3 ½ %
3-5	5 ½ %
6 or more	7 ½ %

Since the committee was discussing personnel and economy issues it was recommended to discuss item D, “Cost of Living” next.

- D. *Cost of Living Adjustment* – Mr. Moorrees provided information which shows the Consumer Price Index has increased to 1.8 percent in the 12 months from December 2008 to December 2009 for the major metropolitan area. Mr. Moorrees explained that this would only change the employee’s salary structure with any raises considered on

performance. Dr. Gattas did not agree with this figure. Mr. Thomas recommended taking this issue to the Board saying we have concerns since right now since there are only two people discussing the issue. He thought the Board may do an adjustment between 0.00 and 1.8. Dr. Gattas agreed to gather all the information and present it to the Board.

Mr. Moorrees gave an alternative suggestion of freezing the COLA for this year. In 2011, it will be five years since we last did a compensation study and suggested budgeting one next year. Mr. Thomas stated he believes this may be where we end up but still felt it should be brought to the Board, with no recommendation from the committee, in case there were some members that felt a COLA should be done.

(Mr. Willis entered the meeting at 3:36 p.m.)

Mr. Willis reported that social security will not be increasing payment for three years since there has not been an increase in COLA. Mr. Thomas briefed Mr. Willis on the 401k enhancement discussion.

- B. *Development of Company's Written Chronological History* – Ms. Layton reported that since the last meeting, she heard from Ms. Uber who stated she was not interested in our project but recommended Mr. Doyle. Ms. Layton reported sending Mr. Doyle two emails and did not get a response back. Communication with Martin Rauch has been timely and responsive. Mr. Rauch presented an approach and it was provided to the committee members for review. It was suggested to go with Rauch.

Mr. Willis asked about a timeline. Ms. Layton stated that Mr. Rauch needs to do an in-vault review before he gives a cost estimate and a timeline. Once this is done, a timeline would be expected. Mr. Willis stated he felt a timeline is important and the payment should be tied to it with the largest portion given at the end of the project. It was decided to go with Rauch and get a quote to come out to perform the in-vault review in order to get a cost estimate.

- C. *Stock Auction Final Accounting* – Ms. Layton presented the spreadsheet for the stock auction final accounting. Dr. Gattas asked if all the costs were included. Ms. Layton stated yes. If additional charges come in, it can still be added to these figures. It was asked when this amount needed to be sent to the state of California. Ms. Layton stated she believes the money can be held for three years before the money is due to the state. An email has been sent to our legal counsel for a response. Mr. Willis requested an email be sent to the committee members when a response from legal counsel is obtained.

6. Status report on Staff & Committee items:

- A. *Record Document Imaging* – Ms. Layton reported receiving a new copier and scanner. She will examine the new scanner to determine its capabilities.

7. Committee Comments and Future Agenda Items: Dr. Gattas stated he thought that shareholder Ken McNeil should not have imposed on the Company's attorney after the last Board meeting. Mr. Thomas reminded Dr. Gattas that the Board made the decision to have our attorney present at the Board meeting in order clarify the issues and to save time with future clarifications.

8. Adjournment: - The committee determined there was no further business and adjourned the meeting at 4:04 p.m.

Assistant Secretary