

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

March 26, 2013

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:02 p.m. on the above date at the Company office located at 139 N. Euclid Ave., Upland, California. Committee Members present were Sue Sundell, Bob Cable, and Tom Thomas. Also in attendance were Wyatt Deane, SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and Office Assistant Kelly McGuire. Ms. Sundell presided.

1. Recognitions and Presentations: Mr. Cable introduced Wyatt Deane of Bonita High School who has been shadowing Mr. Cable for his Senior Project.
2. Additions-Deletions to the Agenda: Mr. Moorrees added the San Antonio Community Hospital Fundraiser on June 17, 2013 as Item 4E and SAWCo Insurance Renewal as it relates to the next AFC meeting as Item 4F.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Thomas moved and Mr. Cable seconded to approve the meeting minutes of January 29, 2013 as presented. Motion carried.
5. Administrative and Financial Issues:
 - A. **401K Safe Harbor Plan** – Mr. Moorrees explained that SAWCo discovered an unanticipated impact of the approved conversion from the traditional 401K Plan to a “Safe Harbor 401K Match” and discussed available options. The anomaly occurs with new employees that become eligible for the retirement plan. Once eligible, the first two years a new employee may begin contributing to the retirement plan. SAWCo matches 3 ½ percent of the employee's contribution in accordance with adopted policy. The Safe Harbor Match requires the Company provide a 3 percent match. The Safe Harbor Match Plan requires the Company to provide a 50% match up to 5% contribution. If a newly eligible employee contributes 5% of a gross salary of \$50,000, the Company would be required to match 50 percent or \$250/year. The higher the salary the higher the match, but only for the two years.

Mr. Cable moved and Tom Thomas seconded to remain with the Safe Harbor Match. Motion carried.

- B. **Investment Policy** – Mr. Moorrees stated that at the February Board meeting the Chair of the AFC suggested that the Company's investment policy be on the next AFC agenda for discussion. Mr. Moorrees advised the committee that in 1994 a policy was created to invest as much of the surplus funds SAWCo had while keeping cash balances for the day-to-day operation. A priority of order was established for these investments, which was that it be safe, liquid, and provide a yield with primary focus on safety and liquidity. A copy of Resolution No. 94-1 “Establishing and Filing an Annual Statement of Investment Policy for the year 1994” was included in the committee packet provided.

In 2005 when the committee was established one of the first items discussed was SAWCo's current investments. At that time the Company had invested in Citizen

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Business Bank's (CBB) laddered Certificate of Deposit (CD) Diversifier program. This program staggered maturity dates to maintain liquidity in 95 separate \$100,000 CD's insured by FDIC to maintain safety. To manage this program, CBB charged \$20/month/CD for a total annual cost of \$22,800. There were other investment strategies discussed at that time to reduce management fees.

Staff suggested exploring the possibility of utilizing the Local Agency Investment Fund (LAIF). This provided secured investments up to \$40 million using the State Treasurer's Office investment expertise at no cost to the Company. Also, it was liquid as wire transfer request made before 10 a.m. was received before the end of the business day. Investment yields in LAIF were believed to be about 3 months behind market values.

Mr. Thomas suggested investing some funds in the stock market, if deemed stable at the time, if it wouldn't go against current policy.

Ms. Sundell commented that the committee should be aware of what is happening with regards to the Company's investment returns and felt that periodic review should be required.

Mr. Moorrees reminded the committee that SAWCo has to adhere to the 85/15 rule. A maximum of only fifteen percent of the Company's profit can come from non-shareholders. Investing in the stock market may put the Company over that amount.

Ms. Layton stated that SAWCo may need to adjust the policy, if the stock market does become an option, for safety reasons.

Mr. Thomas exited the meeting at 3:16 p.m.

Mr. Cable commented that, with the recent billing rate increase, investing in the stock market may look bad. He also stated he is content with SAWCo's current policy.

Ms. Sundell recommended a report back to the Board on the topic and make certain all Board members have a copy of the current investment policy.

Mr. Thomas returned to the meeting at 3:18 p.m.

- C. Cost of Living Adjustment – Mr. Moorrees reported that it was suggested by the Committee last year that consideration of annual cost of living adjustments (COLA) be determined by the Consumer Price Index (CPI) as calculated by the Bureau of Labor Statistics. Using the Bureau's 2010/2011 12-month change from December to December based on the CPI for Los Angeles/Riverside/Orange/San Bernardino/and Ventura counties January 2013, area prices for goods and services were up 1.9% from a year ago.

Mr. Moorrees explained SAWCo's rate matrix and how the COLA adjustment did not automatically raise employee pay but that it affected employee pay ranges and their ability to earn higher wages.

Ms. Layton brought in the Employee Handbook and showed the committee the matrix.

Mr. Cable questioned whether the company absorbing the increase in cost for healthcare this year was factored in. Mr. Moorrees answered that it did not.

Ms. Layton commented on Mr. Cable's inquiry by advising that it was agreed that this upcoming year lowering the healthcare plan option would be looked at for reduction of costs.

Mr. Thomas questioned whether the pay range was determined by job title. Mr. Moorrees responded that it does.

Mr. Moorrees recommended the committee recommend the Board adjust existing job position wage range 1.9% based on the CPI as presented.

Mr. Thomas moved and Mr. Cable seconded to approve the general managers recommendation. Motion carried.

- D.** Proposed Fee Schedule Amendment – Ms. Sundell questioned the difference in staff recommendations and AFC recommendations. There was discussion on various fees and terms used to describe existing fees, current charges and proposed fees. Some corrections were made with regard to proposed fees.

Mr. Thomas recommended taking the item to the Board with the corrections made and schedule a public hearing.

There was consensus on the committee to bring the corrected document to the Board for the scheduling of a public hearing.

Mr. Moorrees stated that if approved by the Board the new fees would go into affect September 1st.

- E.** San Antonio Community Hospital Fundraiser – Mr. Moorrees reported that SAWCo has been asked to participate in a Red Hill Country Club (RHCC) fundraiser for San Antonio Community Hospital taking place on June 17th. He suggested making a bottled water donation.

There was consensus on the committee to donate water to the RHCC event.

- F.** Insurance Renewal – Ms. Layton stated that SAWCo's Liability Insurance is due June 1st of every year and Worker's Compensation Insurance is due every July 1st. Staff attempts to get the information on rates to the committee before going to the Board for approval every year. Due to the change in what months each committee meets it is impossible to get the rates to the committee and then approved by the Board prior to the June 1st renewal deadline. Ms. Layton asked that the next AFC meeting be rescheduled so that it takes place prior to the May Board meeting.

The committee agreed to reschedule the next AFC meeting to take place on Tuesday, May 14th at 3:00 p.m. tentative on Ms. Layton receiving the rates in time for the meeting.

6. Closed Session: None.

7. Committee Comments and Future Agenda Items: None.

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Adjournment: The committee determined there was no further business and adjourned the meeting at 4:00 p.m.

Assistant Secretary
Charles Moorrees