

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

April 29, 2014

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:11 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, Glenn Bozar, and Tom Thomas. Also in attendance were SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, Office Assistant Kelly Mitchell and Accounting/Personnel Clerk Joni Ruggles. Ms. Sundell presided.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: Uniform Allotment information for 2011-2013 was handed out as well as the Request For Proposal (RFP) for the Classification and Compensation (Class & Comp) Study and a spreadsheet with balances in SAWCo's Money Market Account from October 2013 thru April 2014.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Bozar moved and Mr. Cable seconded to approve the meeting minutes of February 25, 2014 as presented. Motion carried.
5. Administrative and Financial Issues:
 - A. ***City Sewer Charges to Water Company Yard Facility*** – Mr. Moorrees reported that the City of Upland currently charges SAWCo a bi-monthly sewer rate of \$25.54. Recent discussions with Field staff with regard to the Yard Facility led staff to believe it is on septic not sewer.

On March 11, 2014, staff made an inquiry to the City of Upland and was advised that the cost for verifying whether or not there was a connection to the City sewer was \$80. The City conducted a dye test the next day confirming staff's suspicion that SAWCo's Yard Facility was not connected to the City of Upland sewer main.

The resulting information was forwarded to the City of Upland Finance Department to begin the process of removing SAWCo's Yard Facility utility account from the bi-monthly billing system. It is not currently evident as to how long the City of Upland has been charging SAWCo sewer fees, however, City staff states they can only reimburse up to 4 years worth of charges. The total amount SAWCo will be credited is \$633.

- B. ***Request Change in Annual Uniform Policy-Allowance*** – Mr. Moorrees reported that SAWCo's current policy allows each field employee \$330 per year to purchase any SAWCo logo items (shirts, hats, sweatshirts, etc.) as well as boots and jeans. Upon termination of employment or the inevitable wearing out of the logoed items, they are to be returned to SAWCo. Significant increase in the purchase price for boots reduces the remaining amount allowed in a year to purchase logoed items.

The increase in price for boots and jeans can use as much as 86% of the annual allotment. Staff proposes that SAWCo purchase all items that have the Company logo, since these are items that the employee is required to return upon discharge or if the item is worn out. The

current allotment of \$330 would remain the same and can be used to purchase boots, jeans, shorts, etc.

Mr. Thomas questioned the quantity of logoed items allowed to each field staff employee. Mr. Moorrees stated the field employees get seven shirts if they are on call, five if they are not. Replacement of logoed items are turned in and reviewed by management before new ones are issued out.

Mr. Cable stated that with five field employees the amount used to cover the logoed items couldn't be more than about \$1,700 which is well below any amount you'd receive from a uniform service company.

Mr. Bozar moved and Mr. Cable seconded to recommend the Board approve SAWCo covering the cost of company logoed uniform items such as shirts, hats, sweatshirts and jackets for field staff as well as maintaining the monetary annual allotment for field staff non-logoed uniform items at \$330. Motion carried.

- C. *General Liability Insurance Renewal & Cyber Liability*** – Mr. Moorrees presented the proposals for renewal of SAWCo's general and cyber liability insurance. SAWCo received from its insurance broker; two quotes for general liability and one quote for cyber liability.

Arch Insurance is currently SAWCo's carrier for General Liability insurance as is Philadelphia Insurance for their Cyber Liability insurance. Staff received a quote from Arch Insurance and Allied World Insurance; American Alternative Insurance declined to provide a quote stating they cannot compete with the current carrier as shown in the Insurance Summary.

SAWCo's broker, EPIC, is recommending they stay with their current carrier, Arch Insurance who is providing a reduced premium by \$7,076 as compared to the previous year. Although Allied World Insurance premium is \$350 less, it provides less coverage compared to Arch Insurance. Cyber insurance from Philadelphia quoted an increase of \$28 in premium.

Mr. Cable moved and Mr. Bozar seconded to recommend the Board approve renewing General Liability insurance coverage with Arch Insurance Company at an annual premium of \$36,494 and renewing Cyber Liability insurance with Philadelphia Insurance Company at an annual premium of \$3,439. Motion carried.

- D. *Citizens Patrol Contribution*** – Mr. Moorrees reported that a request was made for a donation of funds towards this organization. In the past, the Water Company contributed annually to the Citizen's on Patrol. Last year the Board approved a contribution of \$1,000.

Mr. Bozar moved and Ms. Sundell seconded to recommend the Board approve a contribution of \$1,000 to the San Antonio Heights Citizen's on Patrol. Motion carried with Mr. Cable abstaining.

- E. *Classification & Compensation Study*** – Mr. Moorrees presented the draft Request for Proposal (RFP) for a Class & Comp. Study for the committee for comments prior to sending it out. The last time a Class & Comp Study was performed was in 2005. The primary goal is to make certain that SAWCo has the appropriate classifications and compensation for what work their employees perform.

Ms. Layton reported that she had spoken with Lisa Perales of Inland Empire Utilities Agency (IEUA) who are also having a Class & Comp Study done. She received a copy of the consultants IEUA is requesting proposals from as recommendations.

Ms. Sundell questioned if the RFP included office staff. Ms. Layton replied it does include office staff but it does not include a description for the general manager. Historically, the general manager has been a contract employee so no job description has been created. The main objective is to look at the current job descriptions and update them to include any additional job duties or change of duties for each job position.

Mr. Thomas inquired as to whether a job description for the general manager was desired. The committee felt it was an important addition to be added to the RFP. Ms. Layton agreed to add that request to the RFP before sending it out.

Ms. Sundell was concerned about language with regards to competitive wages and did not want the consultant for the study to try and group SAWCo employee job descriptions with other companies that may not be similar. Staff agreed and felt that would not be the case as other water companies do not have as flexible of a work force as SAWCo does.

There was consensus on the Committee to have Ms. Layton add a request for a job description for the general manager position to the RFP and submit it to the Board for final approval.

F. Fee Schedule Amendment – Mr. Moorrees reported that SAWCo staff utilizes a Charge and Fee Schedule that was amended and adopted by the Board on April 16, 2013 which covers the costs for a list of items in the normal course of doing business. With new developments on the rise, staff surmised that the fees charged for meters and service lateral installations were not sufficient to cover the Company's actual cost.

Mr. Moorrees reviewed with the committee the changes in the types of meters SAWCo has and now currently utilizes. He explained the difference in the cost of the previous and current meters and how it relates to the materials the meters are made of. Also, SAWCo utilizes an MXU device within the meter box which permits off-site meter reading via radio signals. Staff did not consider the cost for these MXU's in calculating the existing Meter/Box fees.

Additionally, SAWCo did not consider the breakdown of labor and materials for the piping and customer valve within the meter box. Staff presented the meter, meter box, and service lateral charges approved on June 18, 2013, effective September 1, 2013 and then presented the actual costs incurred by SAWCo for these same items. Also included were the fees for valves, piping, and labor which were previously left out of the equation for determining installation fees.

Meter Size	¾"	1"	1 ½"	2"	4"
Current Meter/Box Fee	\$233	\$327	\$490	\$750	Estimated
Proposed Meter/Box Fee	\$584	\$677	\$1,089	\$1,308	
Increase =	\$351	\$350	\$599	\$558	
Current Service Lateral Fee	\$2,100	\$2,100	\$2,200	\$2,344	Estimated

Proposed Service Lateral Fee	\$2,326	\$2,579	\$2,792	[Estimate]	[Estimate]
Increase =	\$226	\$479	\$592		

Mr. Bozar moved and Mr. Cable seconded to recommend the Board approve amending the adopted fee schedule for meter and meter box fees as well as service lateral installation based on actual costs presented. Motion carried.

G. *Company History and Facility Video* – Mr. Moorrees stated that last year, staff proposed producing a video of SAWCo’s facilities to provide a venue to inform new Board members, employees, and shareholders alike about the Water Company. The Committee recommended SAWCo contact Chaffey College to see if their Cinema Production Department would be interested in producing this video. After several attempts to communicate with Professor Jacobo with Chaffey College, staff has received no response in providing assistance to the Water Company in developing the proposed video.

Ms. Layton commented that prior to deciding to inquire with Chaffey College, she contacted a company she found on the internet who had filmed videos for public agencies. A proposal was received back in July 2013 in the amount of \$6,400.

In July of 2013 Ms. Layton also spoke with Joel Greene with Curiosity Quest. This company just recently filmed a video with the City of Upland. A preliminary quote of up to \$23,000 for a ½ hour video was received.

In August 2013 while attending San Bernardino County Water Conference, staff picked up information from CV Strategies which specializes in strategic communications and public relations and the spokesperson stated they offer video production. Also, in December 2013, Michelle Duplechan contacted SAWCo with an exclusive opportunity for Upland Chamber of Commerce members. She teamed up with award-winning videographer Peter Schlemmer to help local businesses get high quality video production for their video marketing needs.

Ms. Layton inquired as to whether the committee was interested in pursuing additional companies and what direction they wanted staff to take.

Ms. Sundell clarified that the purpose of the video was for information and training of board members, staff and possibly customers. She suggested putting together a more detailed RFP.

Ms. Layton offered to identify the scope of the project and put together an RFP and present it to the committee at the next meeting. The committee agreed with Ms. Layton’s proposal and will review the information generated at the next AFC meeting.

Ms. Ruggles entered the meeting.

H. *First Quarter Transfer from D & O Reserves* – Mr. Moorrees explained that in 2003, the Board adopted reserves for Master Plan Projects; however, the Forebay Improvement project is not part of the Master Plan. As such, it was funded through operating expenses not through reserves.

Ms. Layton reminded the committee that in October 2013 the Board agreed to make a transfer of excess money into the Depreciation and Obsolescence Reserve (D & O Reserves) per legal counsel advice to combine reserve funds to fund depreciation, capital

improvements and asset replacement. Because the Forebay Improvement project is not a Master Plan Project, money is not taken out of the D & O Reserves to fund it.

The Money Market Account began to dwindle as payments for the Forebay Improvement project were made. With all of the reserves incorporated in the D & O Reserves and all of the payments made for the Forebay Improvement project as well as for other expenditures the Money Market Account was nearly drained of funds. As such, a transfer of \$500,000 from the D & O Reserves from the Local Agency Investment Fund (LAIF) account into SAWCo's Money Market Account to fund CY2014 budgeted capital projects including the retention for the Forebay Improvement project.

Ms. Layton dispersed a spreadsheet showing the dollar amount in the Money Market Account from October 2013 thru April 2014. The amount stayed in the positive until December 2013, February 2014 and March 2014.

As a matter of transparency, staff presented this issue to the advisory committee for recommendation for the Board to receive and file.

Mr. Bozar moved and Mr. Cable seconded to recommend the Board receive and file the transfer of \$500,000 from SAWCo's LAIF D & O Reserves to their Operating account. Motion carried.

Ms. Ruggles exited the meeting.

- I. *New Tyler Billing*** – Mr. Moorrees advised the Committee that with the new billing system SAWCo is currently working on installing, a change in the company that processes online payments is necessary. Tyler Technologies only works with two different companies for online billing none of which are SAWCo's current provider. In working with transferring over service to the new online billing company, SAWCo has run into problems with setting up the ability to accept American Express (AMEX) credit card. In order to set up an account the company wants personal information on SAWCo's current Board President as well as requires that SAWCo change its charter to show Mr. Thomas as the president. The position of president has the possibility of changing every year. As such, SAWCo has decided it will no longer accept AMEX.

Ms. Layton advised that about one-sixth of customers who pay on SAWCo's website use AMEX. Billing inserts advising of the discontinuance of AMEX as a payment method along with information about account number changes will be mailed with the next set of water bills sent out.

6. Closed Session: None.
7. Committee Comments and Future Agenda Items: None.

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

Assistant Secretary
Charles Moorrees