

SAN ANTONIO WATER COMPANY  
ADMINISTRATION and FINANCE COMMITTEE (AFC)  
MINUTES  
November 30, 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, Tom Thomas, and Mark Hill. General Manager Charles Moorrees, Assistant Manager of Finance and Administration Teri Layton, and City of Upland Public Works Director Anthony La were also in attendance. Mr. Thomas presided.

1. Recognitions and Presentations: None.
2. Additions / Deletions to the Agenda: Mr. Moorrees added Item 6C Personnel Update.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes – Dr. Gattas moved and Mr. Hill seconded to approve the meeting minutes of September 28, 2010. Motion carried.
5. Administrative and Financial Issues:
  - A. ***Ground Lease Extension for Tolle Nursery Co., Inc.*** – Mr. Moorrees commented that this action is for renewal of existing leases. Tolle Nursery currently utilizes SAWCo's sites at 17<sup>th</sup> Street and Benson Avenue, and another at 20<sup>th</sup> Street and Campus Avenue.

Mr. Moorrees recommended the committee recommend the Board approve the Ground Lease for Tolle Nursery Co., Inc. for another term of 12 months beginning October 1, 2010 through September 30, 2011 for the two Water Company property sites.

Dr. Gattas questioned whether they could approve it now or did it have to go to the Board. Mr. Moorrees replied they could approve it and just have the Board ratify it at the next Board meeting.

Dr. Gattas moved and Mr. Hill seconded to approve the renewal of the ground leases for Tolle Nursery Co., Inc. and to have the Board ratify the approval at the December Board meeting. Motion carried.

- B. ***Records Retention*** – Ms. Layton reported that when she was hired at SAWCo in 1992 there was no record retention guide. Utilizing SAWCo's auditor at the time, one was created and was then updated in 1999. In 2007, a Record Management Plan was developed by a consultant who proposed yet another retention guide. Recently, SAWCo incorporated help from the auditor for recommendations on updating the retention guide. Staff then compared the current schedule with both sources for differences. Management reviewed the information and, with a few additions from SAWCo's legal counsel, a revised schedule was developed.

Mr. Moorrees stated that he thought this was something that needed to go before the Board for resolution.

Dr. Gattas moved and Mr. Hill seconded to recommend to the Board the approval of the updated records retention guide and “draft” resolution. Motion carried.

- C. **Meter Fees** – Mr. Moorrees reported that this topic was originally presented at the September committee meeting. To reiterate, SAWCo is looking at its current meter fees because there is no established methodology that determines meter fees for the varying sizes of meters. Mr. Moorrees explained that the fees leveled off at the 12 inch meter because there was no methodology to determine a higher fee. SAWCo staff found California Public Utilities Commission’s (CPUC) methodology establishing a ratio based on flow rates and applied that ratio to the current base meter fee.

SAWCo presented this information at the September AFC meeting and the committee members requested a comparison of rates with other water agencies. Mr. Moorrees directed attention to Table B which provided that information. The CPUC recommends basing the meter fees on 50% of “fixed cost” [that is cost not dependent on production and/or delivery of water or simply put, any cost incurred when water is not flowing]. The remaining 50% should be covered by the commodity rate. Rounded off, the Company’s annual fixed costs are determined to be \$1.2 million with 50% equaling \$600,000 adjusted fixed cost. Table A shows that revenues by the current rates cover 64% of the Company’s adjusted fixed cost. Table C shows what SAWCo’s fees would be if they used the CPUC methodology. Table D shows what SAWCo’s fees would be if a 20% decrease was implemented which would reduce revenues for the company.

Mr. Thomas commented that the methodology may be better but the hassle and the small dollar amount gained or lost might make it not worth the change.

Dr. Gattas commented that since the last look at meter fees, 14 meters have been added. He questioned what the cost of maintenance for these meters with no flow was. He pointed out what the percentage change for some of the meters would be and thought it did not look reasonable. Dr. Gattas provided a recommendation for incremental increases which were dependent upon the size of the meters.

Mr. La explained some of the background as to how the CPUC arrived at that method of finding meter fees. He mentioned that American Water Works Association (AWWA) has also published suggestions for ratio.

Mr. Moorrees explained that if you double the size of the meter you quadruple the volume. Using incremental increases dependent upon the size of the meters wouldn’t be accurate. Mr. Moorrees stated that he was not trying to increase meter fees but establish a methodology in which the fees are founded.

Mr. Thomas questioned at what size the meters became strictly used for irrigation. He suggested that there might be a point where there would be a different methodology to justify the irrigation meters separate from the domestic meters.

Mr. La suggested that he and Mr. Moorrees look into a logical distinction between irrigation and domestic meters. He stated that the proposed ratio is strictly based on hydraulic capacity, however, there are fixed costs per customer as well. He suggested breaking the fee down into hydraulic and fixed cost. For instance, the \$10 currently charged per month for the 5/8 inch meter, \$7 would be assessed for the hydraulic and \$3

would be assessed for fixed costs. When moving up to a bigger meter needing more hydraulic power, fees would be added to the \$7 portion of the cost and the \$3 fixed cost would remain constant.

Mr. Moorrees stated that he would take Dr. Gattas' information on incremental increases as well as Mr. La's suggestion of fixed and hydraulic costs and come up with a new methodology that somewhat mirrors what SAWCo has now.

- D. 401K Benefit Plan** – Mr. Moorrees reported that SAWCo wishes to disengage services they have with the California Mutual Water Companies Association (CMWCA) and Southern California Mutual Water Companies Association (SCMWCA) in administering their 401K plan. Currently, the Water Company's 401K plan is administered by Raymond, Reeves & Stout Pension and Insurance Services arranged through the Company's membership with both the CMWCA and SCMWCA.

Staff considers this change in anticipation of eventual PERS participation in which the Company will not be able to sponsor a 401K plan. As an option, the Company may choose to develop a 457 Plan for individual employee tax deferred investments. As such, the Company would need a third party administrator (TPA).

Once the Water Company terminates its association with the SCMWCA, staff proposes to be "sole" sponsor of its 401K Plan, engage with Raymond, Reeves & Stout as TPA, and develop its own 401K Plan document. No change in investment strategies is considered at this time with respect to using the current "Nationwide" investments; however, a "Safe Harbor 401K Plan" may be considered which is easier to administer and would not need to provide the testing at the end of each year with respect to top heavy contributions.

Mr. Thomas inquired as to whether SAWCo was losing anything by cutting ties with CMWCA and SCMWCA. Mr. Moorrees replied SAWCo would lose nothing.

Mr. Thomas suggested making it effective January 1, 2011. Mr. Moorrees replied a thirty day notice would need to be given in order to disengage services. Mr. Thomas suggested notifying them tomorrow and have it ratified at the next Board meeting. There was consensus on the committee.

6. Status report on Staff & Committee items:

- A. History Documentation** – Ms. Layton reported that she spoke with the consultant earlier in the day and found that all of the photos have been converted to live text PDFs. They are in the process of linking the PDFs into complete books. The consultants had difficulty with how the Annual Reports were bound into the minute books so originals were shipped out on Monday. It was also discovered that not everything was proofread which is causing delays.

Ms. Layton has a scheduled meeting with the consultant on December 16, 2010 to try out the software. If this software works out SAWCo may utilize it for document imaging.

- B. Conservation Update** – Ms. Layton reported that as of November 1, 2010 23% of funds are available for residential rebates. The high efficiency clothes washer rebate has been

reduced to \$85. The multi-family toilet installation program requires customers to pay \$24 per toilet installed.

Ms. Layton stated that the Bill SB7x7 requires water providers to reduce water usage 20% by 2020. However, the criteria states it applies to providers with 3,000 end users or 3,000 acre feet (AF) used. Ms. Layton questioned the consultant on the fact that SAWCo only has 1,200 end users and they use under 3,000 AF and whether they needed to comply with the Bill.

**C. *Personnel Update*** – Mr. Moorrees reported that SAWCo is currently interviewing for the General Labor position. Three individuals were interviewed the previous day and more interviews will take place toward the end of the week as well as throughout the following week.

7. Closed Session: None.
8. Committee Comments and Future Agenda Items: Mr. Moorrees reminded the committee of the Budget Workshop taking place Thursday, December 9, 2010 at 9:30 a.m.
9. Adjournment: - The committee determined there was no further business and adjourned the meeting at 3:50 p.m.

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Assistant Secretary  
Charles Moorrees