

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

November 29, 2011

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 Tom Thomas, Dr. Fred Gattas, and Sue Sundell. SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, and Accounting and Personnel Clerk Joni Ruggles were also in attendance. Also in attendance were Jason Reichert and Melissa Cal from JLR Insurance. Dr. Gattas presided.

1. Recognitions and Presentations: None.
2. Additions / Deletions to the Agenda: Mr. Moorrees added discussion on Assembly Bill 54 (AB54) to the agenda as Item 5C. [Senate Bill 918 (SB918) – Not AB54]
3. Public Comments: None.
4. Approval of Committee Meeting Minutes – Mr. Thomas moved and Ms. Sundell seconded to approve the meeting minutes of September 21, 2011. Motion carried.
5. Administrative and Financial Issues:
 - A. **Health Benefit Plan review** – Melissa Cal from SAWCo's insurance provider, JLR Insurance, presented information on the water company's health benefits package and costs for renewal. SAWCo has the benefit of a plan that has been grandfathered in and as such does not incur some costs that it would if it were to switch to a new plan. There was a 5% increase from 2010 to 2011 in health care medical coverage and a 7.8% increase is expected for the 2012 year for the same coverage. For dental coverage, the amount increased from 2010 to 2011 by 35% due to the fact that there were not enough employees to qualify for HMO coverage and the PPO option had to be utilized. There is no projected change in cost for dental insurance from 2011 to 2012.

Mr. Glenn Bozar entered the meeting at 3:06 p.m.

The vision coverage increased by 4% from 2010 to 2011. There is no projected increase from 2011 to 2012 coverage. SAWCo's Life Insurance coverage increased from 2010 to 2011 by 13.5% due to increased salaries.

- B. **Financial Plan & Water Rate Study** – Mr. Moorrees stated that he and Ms. Joni Ruggles have been working on the Asset Management Plan to determine when SAWCo's assets need to be replaced. Staff is looking at how much the water company will need in capital reserves in the next five, ten, and 20 years to complete improvements. There is no component in SAWCo's commodity rate that provides for capital reserves as it is currently is funded through capital connection fees. There has been very few capital connection fees collected within the past couple of years. Sale of stored water also goes to capital reserves; however, SAWCo's current stored water account in the Chino Basin can only increase due to under production which the remaining allowance carries over into the Company's local storage account. Some of the projects taking place in 2012 will help increase SAWCo's storage by recharging water into Chino Basin. Staff will

determine what facilities need to be replaced and approximate cost which will establish how much water SAWCo needs to sell out of its stored water accounts to fund the projects. In the past, the company assessed shareholders the cost for capital improvements.

Readiness to Serve Charges or meter charges generally cover fixed costs. And the commodity rate covers expenses when water is delivered to its shareholders; however, the Company's meter charges do not meet the fixed cost expenses which are currently subsidized by the commodity rate. Therefore, staff is exploring options to increase revenues to close this deficit. This issue is currently being analyzed by staff and will be discussed at future AFC meetings for recommendations and/or direction.

C. SB918 – Mr. Moorrees opened up discussion regarding SB918 (not AB54) that has been chaptered into law and will present the analysis to the committee once he receives it from legal counsel. This bill provides an option for a rotating schedule for Board members for two and four year terms should the recommendation be made to the Board to amend the by-laws. It was decided to postpone any recommendations until legal counsel has provided his opinion and proposed change and process.

A. Health Benefit Plan review – The committee members then discussed the proposed benefits and their fiscal impact.

7. Closed Session: None.

8. Committee Comments and Future Agenda Items: None.

Adjournment: The committee determined there was no further business and adjourned the meeting at 4:45 p.m.

Assistant Secretary
Charles Moorrees