

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

August 25, 2015

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was called to order at 3:00 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 Robert Reeves of Raymond, Reeves and Stout, Mark McKeon SAWCo's Financial Advisor, Craig Parker from Inland Empire Utilities Agency (IEUA), and SAWCo's General Manager Charles Moorrees, Assistant Manager of Administration and Finance Teri Layton, Accounting and Personnel Specialist Joni Ruggles, and Administrative Specialist Kelly Mitchell. Ms. Sundell presided.

1. Recognitions and Presentations: Mr. Moorrees introduced Robert Reeves of Raymond, Reeves and Stout and Mark McKeon, SAWCo's Financial Advisor. He advised they will be speaking about SAWCo's 401(k) Plan. Also introduced by Mr. Moorrees, Craig Parker with IEUA in attendance to speak about Agenda Item 5B.
2. Additions-Deletions to the Agenda: Mr. Moorrees added the Annual Water Conference for CORO as Item 5D.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Thomas moved and Mr. Cable seconded to approve the meeting minutes of June 23, 2015 as presented. Motion carried.
5. Administrative and Financial Issues:
 - A. **401K Plan Options** – Mr. Moorrees explained that in 1999 SAWCo's retirement plan moved from an Annuity to a 401(k) plan. Staff has expressed some disappointment in the returns they are receiving with their retirement plans and questioned if there were any other investment options available. Mr. Moorrees stated that as a trustee for these retirement plans he wants to make certain that SAWCo is responsible with the investment types utilized.

Mr. Reeves informed the committee about SAWCo's 401(k) Plan and the employee's accessibility to information regarding their individual plans.

Mr. Glenn Bozar entered the meeting at 3:04 p.m.

Mr. Moorrees brought up the possibility of utilizing Target Date Funds. Mr. Reeves provided an explanation of this type of investment. Other various types of funds as well as fees were discussed.

Mr. Thomas felt that as long as the Water Company is doing its fiduciary duty then whatever the employees wish to do, within reason, with regards to retirement plans would be fine.

Mr. Moorrees stated that if there is a change in direction with regards to retirement plans a comparison can be provided for staff and a decision can be made sometime within the next quarter.

Mr. Reeves and Mr. McKeon exited the meeting at 3:49 p.m.

Mr. Cable advised that SAWCo has the option of having a representative from Nationwide come to the office to answer any questions.

- B. *Inland Empire Utilities Agency Water Meter Connection Fee*** – Mr. Moorrees explained that IEUA has been working on a way to fund their capital improvement projects to sustain water supply in the area. A fee resolution and ordinance was developed that implements a onetime ‘pass through’ fee for all of the water agencies that are within the IEUA service area. The fee will take effect January 1, 2016 and will impact any new development as well as current customers that wish to upgrade their meters.

It was mentioned that less than 10 percent of the homes in the San Antonio Heights area of Upland are connected to sewer and no water is delivered from IEUA. With that information it was asked how a fee for SAWCo customers was justifiable.

Representing IEUA, Mr. Parker was available to answer questions from the committee. Mr. Parker explained IEUA is looking at a ‘one water’ concept. He described that when IEUA provides recycled water to its customers it helps offset the use of groundwater and keeps well levels high for use by other customers. The goal is to provide a regional water supply that is sustainable in the future.

It was clear that the committee would deny implementing the pass through fee to its shareholders. Mr. Parker advised that he would bring the comments and concerns back to management at IEUA. He inquired about the next Board meeting and mentioned the possibility of the IEUA president attending.

Mr. Parker exited the meeting.

- C. *CY2015 Mid-Year Budget Review*** – Mr. Moorrees reported that revenues are down. Recently, SAWCo sold stored water to Three Valleys Municipal Water District (TVMWD) which helped reduce the deficit. Without the sale of water to TVMWD the deficit would be over \$700,000, but with this sale and the sale of stored water in Chino Basin the deficit will be \$261,000. The drought was the main reason for the drop in revenue as well as the issues with the Tunnel and reduction in shareholder water entitlement.

Suggestions were made on how to balance the budget. The possibility of a rate increase and the option of a shareholder assessment were discussed.

Mr. Moorrees proposed the Committee make the recommendation for the Board to receive and file the staff report on mid-year revenues and expenditures. There was consensus on the committee to recommend receiving and filing the mid-year budget.

6. Closed Session: The committee went into closed session for the General Manager’s Performance Review [subdivision 9b) of Section 54957, CGC] at 4:19 p.m.

Mr. Moorrees was directed to update his employment contract to extend the contract 3 years with the ending date June 30, 2018 and include an additional 5 days of administrative leave. These updates will be presented to the next Board meeting for final approval.

D. Annual Water Conference – CORO – Mr. Moorrees advised the committee that this year’s CORO conference is scheduled in Los Angeles for Tuesday, October 20th, which is the same day as SAWCo’s Board meeting.

Mr. Cable moved that due to the current deficit in SAWCo’s budget and since the date and location conflicts with the October Board meeting that the Water Company foregoes sponsoring the CORO conference this year. The motion was seconded by Mr. Bozar. Motion carried.

Mr. Thomas asked that the item be put on the next Board meeting agenda to give staff and Board members the option to attend the conference.

7. Committee Comments and Future Agenda Items: None.

Adjournment: The committee determined there was no further business and adjourned the meeting at 4:26 p.m.

Assistant Secretary
Charles Moorrees