

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

October 25, 2016

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, Glenn Bozar, and Tom Thomas. Also in attendance were Vivian Castro and Eunice Ulloa from Chino Basin Water Conservation District (CBWCD), Andrea Carruthers and Kathryn Besser with Inland Empire Utilities Agency (IEUA), and IEUA District 1 Board member candidate Kati Parker. SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton, and Administrative Specialist Kelly Mitchell. Ms. Sundell presided.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Mr. Bozar moved and Mr. Thomas seconded to approve the meeting minutes of August 23, 2016 as presented. Motion carried.
5. Administrative and Financial Issues:

F. Chino Basin Water Conservation District – IEUA take over - Mr. Moorrees reported this item was brought to the SAWCo Board of Directors the previous week for recommendation. The Board decided to remain neutral and deferred the item to the AFC for questions and clarification.

Mr. Moorrees inquired whether or not water agencies would be charged to put water in the recharge basins if IEUA took over CBWCD. Ms. Carruthers answered there would be no additional charges or surcharges for recharge in the basins.

Ms. Carruthers stated specifics were not put in the application submitted to the Local Agency Formation Commission (LAFCO) for flexibility with whichever direction LAFCO decided to take with the consolidation process. LAFCO will draft the plan for service. There are no plans to sell the CBWCD building or let staff go and the level of service will stay the same.

Ms. Layton questioned if IEUA takes over CBWCD and there is competing interest in using the same conveyance to get water into the basins now run by IEUA who gets priority. Ms. Carruthers stated she is not involved in that area of business.

Mr. Moorrees stated he feels IEUA does a great job with the services they provide as does CBWCD but pointed out the two companies' missions are entirely different. He felt that collaboration is needed, not consolidation.

Mr. Thomas inquired about a timeline for the process. Ms. Carruthers replied an alternative plan is due by December 13th with an estimated January timeframe for the commission to meet.

Ms. Carruthers explained how IEUA's conservation department's function utilizing grants and outreach.

Mr. Thomas questioned the advantage for IEUA taking over CBWCD. Ms. Carruthers answered there would be cost savings that could potentially go back to the taxpayers. Mr. Moorrees asked if IEUA had received any responses from these taxpayers as to whether or not they agreed with the consolidation. Ms. Carruthers responded they had not.

Mr. Bozar questioned how the customer was going to benefit or not benefit. There is a discrepancy in the numbers IEUA is presenting as cost savings. The taxpayers don't know whether those numbers are real in actual dollars and cents savings. They don't have a guarantee that this money will be deducted from their tax bill or be received in a refund check. There is also no guarantee that these taxpayers aren't going to wind up paying for this consolidation in the form of higher rates. Mr. Bozar is aware of complaints about IEUA's cost structures and rates which are not great because they are a monopoly in the area.

Ms. Carruthers stated the application is just the starting off point to finding out if consolidation is the best option. An outside firm has been hired to review all of the documents to help determine that.

There were additional concerns with regard to the possibility of closing the CBWCD building and the quality of service. Taxpayers would have to travel to southeastern Chino to obtain any services that were once close by.

Jason Reichert and Melissa Calabretta with JLR Insurance entered the meeting at 3:25 p.m.

Ms. Castro clarified LAFCO proposal 33212 is a proposal from IEUA to LAFCO to consolidate CBWCD. In May 2015 LAFCO staff made a recommendation for consolidation however since then the LAFCO commissioners expanded CBWCD's sphere of influence. A low sphere of influence would be an indicator for consolidation. Expanding the sphere of influence is an indicator that a company should plan for that to be their service area in the future. LAFCO can consolidate a company on its own. IEUA took it upon themselves to submit an application to takeover CBWCD.

Ms. Carruthers clarified that after an attempt by LAFCO in 2007 to consolidate San Bernardino Valley Municipal Water District and the San Bernardino County Conservation District ended in 3 years of litigation, LAFCO will no longer initiate a consolidation however they still have the authority to do so. She stated that IEUA was notified by LAFCO that they would not initiate the consolidation. Instead IEUA would need to initiate the consolidation based on the commission's recommendation. Ms. Carruthers stated the CBWCD's sphere of influence expansion was based on the fact that they had entered into a Joint Powers Authority but LAFCO still recommended unification of the agencies at that time. IEUA submitting the application to consolidate CBWCD was made after 8 months of background work to determine whether or not it was feasible.

Ms. Castro was concerned that there are still questions about IEUA's methodology for the amount of money taxpayers would save with a consolidation. An offer by Ms. Ulloa to collaborate and split the costs of the study to determine the benefit if any was not taken up by IEUA.

Ms. Parker added two reasons why SAWCo should oppose the consolidation. She stated there is no guarantee that IEUA will not begin to charge maintenance fees on the recharge basins they would acquire from the consolidation of CBWCD. IEUA currently imposes fees

on the flood control basins they manage. Also, the quality of service will be affected as CBWCD has more employees focused on conservation utilizing less funds than the few employees IEUA designates to conservation with more than double the amount of funds. She also stressed that CBWCD purpose is conservation whereas IEUA's main function is that of a water wholesaler.

Mr. Bozar stressed the need for a firm timeline for when information and decisions will be made.

Andrea Carruthers, Kathryn Besser, Eunice Ulloa, Vivian Castro and Kati Parker exited the meeting at 3:48 p.m.

There was consensus on the committee that there was not enough information showing there was a good benefit to the consolidation of CBWCD with IEUA and that a sample letter of opposition would be submitted to the SAWCo Board for approval.

- A. *Employee Benefit Plan Renewal*** – Mr. Moorrees corrected information in regards to the renewal of life insurance. Rates are proposed to increase by \$165 for the year.

Ms. Calabretta and Mr. Reichert explained the changes in the costs of SAWCo benefit plan and showed a comparable Affordable Health Care Plan (ACA). ACA plans are increasing by an average of 25% in 2017 with some states seeing a 65% increase. Many health insurance companies have withdrawn from ACA. The majority of SAWCo's employees will incur a 7.99% increase in their health insurance premium if the current plan is renewed. There are two employees that will have a higher premium due to moving up in their age category. The melded premium increased by 13.01%.

Ms. Calabretta continued to explain the differences in the ACA plans compared to SAWCo's current plan if renewed. Out of pocket maximum costs with ACA plans can reach as high as \$14,500 but with SAWCo's plan the maximum is \$3,000. Prescription costs, urgent care, hospital and more extensive tests costs are increasing rapidly with ACA plans however with SAWCo's plan those cost are still considered reasonable. An ACA plan that was comparable to SAWCo's current plan was presented to the committee but if SAWCo changes to an ACA plan they will lose their grandfathered status and will be forced to hold an ACA plan moving forward.

Mr. Bozar moved and Mr. Thomas seconded to recommend the Board approve renewal of SAWCo's employee benefit plan including health, vision, dental and life insurance. Motion carried.

Ms. Calabretta and Mr. Reichert exited the meeting at 4:18 p.m.

- B. *CY2017 Calendar*** – Mr. Moorrees inquired whether there were any issues with the presented CY2017 calendar. No concerns were expressed.

There was consensus on the committee to recommend the Board approve the CY2017 calendar as presented.

- C. *Board Gift – End of the Year Luncheon*** – Mr. Moorrees stated the Board previously requested that the issue of the board gift be discussed at the AFC prior to being presented to the Board. It has been common practice by the Board to present a board gift at the end of the

year luncheon. Since 2007 the Board has consistently given a gift of \$1,250 to the employees.

Ms. Sundell questioned whether or not the amount should be increased as it has stayed the same amount for 8 years.

Mr. Bozar recommended keeping the amount the same for this year as the company has had some difficult times financially but the employees have had considerably more work with water quality and drought issues.

There was consensus on the committee to recommend the Board approve a board gift in the amount of \$1,250.

D. *Administrative Career Opportunities – Senior Administrative Specialist* – Mr. Moorrees reported that when last presented a career track progression was thought to be too rigid and inflexible. Instead, providing career opportunities to staff was suggested.

Mr. Moorrees presented a proposed career opportunity for the current administrative specialist; senior administrative specialist. A job description for the position of senior administrative specialist was included in the committee meeting packet.

Mr. Moorrees recommended the committee consider the proposed job description for recommendation to the Board as a potential advancement opportunity for the administrative specialist and provide comments as appropriate.

Mr. Bozar moved and Mr. Thomas seconded to receive the comments on career track progression with no action taken and to recommend the Board approve the job description of senior administrative specialist as a career opportunity for the administrative specialist position. Motion carried.

E. *Employee Succession Plan* – Mr. Moorrees stated this item was presented at the previous AFC meeting as the Employee Transition Plan. Now termed the succession plan, the goal is to achieve objectives set forth in the approved Strategic Plan to develop workforce planning as a component of the Company's Talent Management Strategy. The main objective is to fulfill the need for mentoring and to develop a plan or program.

Mr. Bozar believed there is a need to cross train and to have continuity when employees retire.

Mr. Thomas felt that a valuable employee isn't necessarily a good trainer. He worried that some employees may not pull their weight during their succession period. Different transition times for different positions would be necessary and there would need to be control methods in place to evaluate whether a succession plan is still working.

Ms. Layton stated there are different options for succession including reducing workdays by one day per week for a year, then hiring a person to train in the position, then reducing workdays again. The employee would continue to be evaluated on a regular basis to determine if the plan is still effective.

The committee agreed to receive and file the information. The item will be brought back to the committee when more definitive plans are determined.

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 4:42 p.m. The next AFC meeting will be held on February 28, 2017 at 3:00 p.m.

Assistant Secretary
Charles Moorrees