

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

November 24, 2020

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was held virtually and called to order at 3:01 p.m. on the above date as noticed. Committee Members present were José Sanchez, Bob Cable, Rudy Zuniga, and Tom Thomas. Also in attendance were Melissa Calabretta with JLR Enterprises and Insurance Services, Inc., Gina Calderon with Reward Strategy Group, and SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Director Cable moved and Director Zuniga seconded to approve the meeting minutes of September 22, 2020. Motion carried unanimously.
5. Administrative and Financial Issues:
 - A. ***Annual Review of Employee Health Benefits*** – Ms. Melissa Calabretta provided information via PowerPoint for the Committee regarding SAWCo's health, dental, vision, life, and death and dismemberment insurance coverage costs for the upcoming year. Health insurance coverage costs are scheduled to increase by 0.81%. This small of an increase is being attributed to the reduction in the number of non-essential surgeries and other procedures that did not take place this year and not expected to take place in 2021. Rates are expected to increase substantially (13% to 18%) in 2022 as these types of procedures are expected to increase in number.

Ms. Calabretta then provided information on what current Affordable Care Act plans are doing in the market place as a comparison to SAWCo's grandfathered HealthNet plan. She explained the future outlook of the health insurance market which points towards the individual market imploding with some states only offering one carrier and projected rates expected to increase. Utilization of services is expected to increase post COVID-19 which will impact rates in the coming years. There is uncertainty in the marketplace due to the election of a new president however, SAWCo's grandfathered plan continues to be protected from any changes to benefits. Ms. Calabretta then compared the yearly costs and benefits provided by the ACA plans to SAWCo's current grandfathered plan.

Ms. Calabretta then briefly reviewed SAWCo dental, vision, and basic life insurance plans. SAWCo received rate passes for dental and vision but is experiencing a slight increase for life insurance due to not meeting the required number 10 employees.

Director Sanchez sought clarification with Mr. Lee on the budget amount of \$241,000. The total of the items discussed does not match the budgeted amount. He inquired as to whether the remaining budget amount was for the company 401K. Mr. Lee confirmed the budgeted amount includes the health, dental, vision, life, and retirement plans.

Director Zuniga moved and Director Cable seconded to recommend the Board approve maintaining SAWCo's current employee health and welfare benefits package. Motion carried unanimously.

- B. ***Benefit and Compensation Study*** – Mr. Lee advised Gina Calderon with RSG was available for any questions. Ms. Calderon thanked SAWCo for inviting RSG to work with SAWCo once again. She then provided information on the market with regards to whom SAWCo would be competing with for employees in both retention and hiring. Five water districts and five municipalities were used as comparisons. No mutual water companies were looked at this time around due to the difficulty in getting updated data and the fact that with the previous Study the mutual water companies had no impact as their numbers were very similar to water districts and municipalities.

Director Sanchez inquired as to why private water companies such as Golden State Water were not used as comparison considering they have offices and facilities in close proximity to SAWCo. Mr. Lee responded that there is difficulty in obtaining information from private agencies as their data is not readily available. Being that they are private they are not

obligated to divulge such information. Ms. Calderon replied that during the previous Study attempts were made to gather information from four private agencies. The agencies were not responsive to RSG however data was provided to the previous General Manager. Upon review of the data it was found that the structure of the organizations and job descriptions did not align with SAWCo's and therefore were not good comparisons.

Ms. Calderon then went on to further explain how the Study was conducted and the recommended updates to various job classifications in terms of pay scale in order to better align with the market and to the salary structure to one with a 10% differential between all positions sans management.

There was some concern with comparing SAWCo to water districts and municipalities as SAWCo has to answer to shareholders not customers. Also pointed out was the fact that some of the compared entities are SAWCo shareholders with pay scales that may be a little lower for certain job descriptions. Ms. Calderon explained a supply versus demand issue with positions such as the Water Utility Worker II are causing the salary range to increase. She also recommended considering enhancing certain areas of the benefits package but stated for the most part the benefits were comparable to the comparative groups. The one area to consider would be most of the comparable market offers CalPERS

Director Zuniga moved and Director Sanchez moved to recommend the Board adopt the study from RSG and implement the salary ranges as presented. Motion carried unanimously.

Director Sanchez moved and Director Cable seconded to recommend staff look at the benefits package, generate ideas for enhancement and bring them to the Committee for further consideration. Motion carried unanimously.

Ms. Calderon exited the meeting.

- C. Financial Reporting** – Mr. Lee stated the proposed financial statements included in the meeting packet are a first look of what could be implemented. Directors Sanchez, Director Martha Goss, and Mr. Lee are to meet regarding what reports are wanted/needed and how they are to look.

Director Sanchez had comments and suggestions regarding the proposed financial statements. Director Thomas felt the format was easier to read than the current financials. Director Sanchez suggested adding a year-to-date actual and year-to-date percentage column on the monthly income statement rather than to the total annual budget.

Director Sanchez, Director Goss, and Mr. Lee will meet to further discuss the financials and bring their suggestions back to the Committee.

- D. Draft 2021 Budget Review** – Mr. Lee stated there aren't any major changes from an operational standpoint. The only real change was on the capital side of the budget where engineer estimates for projects were available leading to a more accurate budgeted amount. Once the Water Master Plan is completed an additional or additional projects may be added to the budget. Mr. Lee also pointed out under capital expenditures is a line item for equipment, studies, and reports. The previous year, studies and reports were budgeted under outside services in general administrative expenses.

Director Sanchez felt studies should not be capitalized but instead expensed, however, he acknowledged the rationale as the report being capitalized is one generated and used over a five year period.

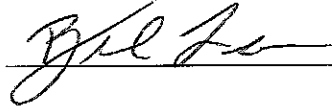
Additional clarification was sought on a few line items. The item will be further discussed at the forthcoming Board Budget Workshop.

- E. COVID Response** – Mr. Lee advised he is considering adjusting open hours and reducing the number of staff in the office at one time. This move would be based on the current increase in COVID cases in Los Angeles County and the heavier restrictions put in place there that will most likely spill over in to San Bernardino County.

6. Closed Session: None.

7. Committee Comments and Future Agenda Items: The Directors and staff wished everyone a Happy Thanksgiving.

8. Adjournment: Seeing no further business, the meeting was adjourned at 4:16 p.m.



Assistant Secretary
Brian Lee

