

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

August 28, 2018

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, Jose Sanchez, and Tom Thomas. Also in attendance were Shawn Baker and Mark Fitzpatrick of ICMA-RC, SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton, Accounting and Personnel Specialist Salena Holley, and Senior Administrative Assistant Kelly Mitchell. Mr. Thomas presided.

1. Recognitions and Presentations: Mr. Moorrees recognized Mr. Baker and Mr. Fitzpatrick of ICMA-RC who will be presenting information on Item 5D.
2. Additions-Deletions to the Agenda: Mr. Moorrees advised that due to the presentation, Item 5D would move to the first item discussed.
3. Public Comments: None.

5. Administrative and Financial Issues:

- D. ICMA RC Employee Retirement Health Savings Program** – Mr. Baker and Mr. Fitzpatrick provided a PowerPoint presentation with information regarding ICMA-RC's VantageCare Retirement Health Savings (RHS) Program. Staff and Committee members inquired about the details of the program and were made aware it is a customizable program.

Contributions to the program are tax deferred and, if they qualify, withdrawals for medical expenses are tax free. There is a \$25 per year annual fee and forty basis points (4/10 of 1%) of the account balance per quarter is also owed annually.

It was determined that SAWCo management will need to work with staff to complete the details of the program they wish to follow and more details can be worked out after SAWCo's new general manager starts work.

Mr. Baker and Mr. Fitzpatrick exited the meeting at 3:52 p.m.

4. Approval of Committee Meeting Minutes: Mr. Sanchez moved and Mr. Cable seconded, to approve the meeting minutes of June 26, 2018. Motion carried.
5. Administrative and Financial Issues:
 - A. **Approval of Compensation Policy** – Mr. Moorrees presented the proposed policy to provide an annual process for determining compensation to evaluate the Executive and his/her performance and ask for his/her input on matters of compensated employees as well as compensation for Directors. This item is required as part of the Internal Revenue Services (IRS) Form 990 which tax-exempt organizations must file at the end of each tax year.

Mr. Moorrees also noted that in 2015 a Classification and Compensation Study was completed by RSG Consultants. The study includes a matrix used for evaluating performance.

Mr. Moorrees noted the position of Assistant General Manager located on the proposed draft compensation review policy will be deleted as that position is evaluated by the General Manager.

Mr. Sanchez moved and Mr. Cable seconded to recommend the Board adopt the compensation policy as described. Motion carried.

- B. *Stock Certificate Policy*** – Mr. Moorrees presented a policy change with respect to pledgees on SAWCo stock certificates. He stated that though there is an area on current water stock certificates to indicate a pledgee, a valid Pledge Agreement has never been filed with SAWCo for the associated water stock.

Ms. Mitchell described the different types of pledgees and the process of removing them from the water stock.

The proposed policy eliminates any reference to a pledgee on the water stock certificate and stock transfer paperwork but allows for a pledgee to be recognized upon request when specific criteria is met.

Mr. Cable moved and Mr. Sanchez seconded to recommend the Board adopt the policy to change the practice with respect to pledgees on stock certificates. Motion carried.

- C. *Stock Transfer Policy*** – Mr. Moorrees presented a policy to change the practice with respect to transfer of water shares. He stated often times the persons requesting a stock transfer place the burden of proof on SAWCo which requires extensive research by staff and legal counsel. The proposed policy is designed to offer guidance with respect to these transactions and will relieve the time and expense in processing the request by placing the burden on the shareholder making the request.

Mr. Cable brought about discussion on item 10 regarding exceptions to the proposed policy. Mr. Sanchez suggested adding the words “to Board approval and” to sentence three of the item. The committee was in agreement with the revision.

Mr. Sanchez moved and Mr. Cable seconded to recommend the Board adopt the Stock Transfer Policy as revised. Motion carried.

- E. *Nationwide 401K Investments*** – Mr. Moorrees explained that in May the Board approved changing SAWCo’s Nationwide 401K Plan to the Nationwide Flexible Advantage Program. Upon reviewing the contracts with Nationwide, staff had a few questions and concerns regarding fees for changing plans.

If not altered, SAWCo stands to incur a .40% fee if penalty free participants move to the new platform. They would also be assessed a fee if 15% or more employees leave in one year or a certain number of funds are withdrawn. Employees that don’t meet the requirements of being age 59 ½ and 5 years of participation in the contract or have 15 years of participation in the contract are subject to surrender fees. Three of SAWCo’s current employees stand to be charged surrender fees totaling \$8,695.47.

Mr. Moorrees inquired whether the Board wished to absorb the surrender fees for those employees that are subject to them.

Mr. Cable questioned the \$17,500 annual savings in transfer fees. It was explained the savings was spread across 10 employees whereas the \$8,695.47 in surrender fees is incurred by three employees.

Ms. Layton explained those three employees that stand to incur surrender fees can choose to pay the fees to move their money into the new platform, remain with the old platform and pay higher commission fees than the new platform charges or, if the Board wishes, SAWCo can cover the costs for the three employees to move their funds to the new platform.

Mr. Cable asked staff to inquire with the Nationwide representative whether a dollar amount can be used for determining fee rather than based on a percentage of employees leaving the company and taking their funds.

Mr. Thomas questioned whether there were any tax implications for the employee if SAWCo covers the surrender fee.

There was consensus on the committee to recommend Ms. Layton obtain answers to the questions raised by the committee and bring the item to the next Board meeting. If all questions are answered satisfactorily at the time of the Board meeting, the Board may choose to vote on the item.

F. *Vacation Policy* – Mr. Sanchez moved and Mr. Cable seconded to approve recommending the Board amend current employee vacation policy with respect to the ability to use accrued vacation without completing one year of employment. Motion carried.

G. *Disposal of Records* – Mr. Cable moved and Mr. Sanchez seconded to recommend the Board approve the disposal of files presented pursuant to the adopted retention schedule and Record Management Policy. Motion carried.

H. *CY2018 Mid-Year Budget Review* – Mr. Moorrees handed out an updated mid-year budget review to the committee and drew attention to the bottom line. He pointed out a \$100,000 variance from budgeted to projected revenue due to the sale of stored water to the City of Pomona. SAWCo has a projected positive end of year budget for CY2018.

6. Closed Session: None.

7. Committee Comments and Future Agenda Items: None.

8. Adjournment: The committee determined there was no further business and adjourned the meeting at 4:22 p.m.

The next regular Administration and Finance Committee meeting is scheduled for October 23, 2018 at 3:00 p.m.

Assistant Secretary
Brian Lee