

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

April 24, 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 Bob Cable, Jose Sanchez and Tom Thomas. Also in attendance were Mark McKeon of Raymond, Reeves & Stout, LLC, and SAWCo's General Manager Charles Moorrees, Assistant General Manager Teri Layton and Senior Administrative Specialist Kelly Mitchell. Mr. Thomas presided.

1. Recognitions and Presentations: Mr. McKeon informed the committee that Raymond, Reeves & Stout, LLC is a third party administrator for retirement plans and has been the administrator for SAWCo's retirement plans for over 20 years.

Mr. McKeon then presented information on the new platform for SAWCo's 401K Plan for consideration. The plan has been presented to SAWCo staff who is receptive to the change. The notable differences in the plan SAWCo has had for many years and the plan they wish to switch to is the new plan provides a savings of over 1% in commission fees but has no death benefit. The new plan is through the same investment company SAWCo currently uses but on a different platform. There are no transfer fees for moving to the new program and with roughly \$1.75 million in the account, employees in the program will experience an annual savings of roughly \$17,500. Employees will also now be able to utilize a website that allows them to set a target retirement date, designate funds, etc.

Mr. Thomas questioned whether or not a Board resolution was need in order to make the switch or if the item just needed to be ratified by the Board. Mr. Moorrees stated he would bring the item to the Board in May for ratification.

Ms. Layton advised a member from Nationwide will help employees setup online profiles.

There was consensus on the Committee to bring the item to the Board to ratify.

Mr. McKeon exited the meeting at 3:14 p.m.

2. Additions-Deletions to the Agenda: Mr. Moorrees deleted Item 6 from the agenda.

Ms. Sue Sundell entered the meeting at 3:15 p.m. and presided over the remainder of the meeting.

3. Public Comments: None.

4. Approval of Committee Meeting Minutes: Mr. Cable moved and Mr. Sanchez seconded, noting his absence at the previously held Committee meeting, to approve the meeting minutes of February 27, 2018. Motion carried.

5. Administrative and Financial Issues:

- A. ***Requests for Contributions*** – Mr. Moorrees explained the Water Company contributes annually to the American Groundwater Trust, Water Education Foundation and the California Water Awareness Campaign. These annual contributions were approved by the Board in February 2011. Since that time SAWCo has added new members to its Board and staff felt it prudent to present the information again for authorization.

Mr. Moorrees asked the Committee to recommend the Board authorize the General Manager to continue to make contributions as presented.

There was consensus on the Committee to recommend the Board authorize the General Manager to continue to make contributions as presented.

- B. *Citizens Patrol Contribution*** – Mr. Moorrees reported a request for a donation of funds was received from the San Antonio Heights, Citizen’s on Patrol. SAWCo has contributed annually to the Citizen’s on Patrol with the most recent contribution last year for \$1,000.

In addition to monitoring daily activity in the San Antonio Heights, the Citizen’s on Patrol also agreed to assist SAWCo in reporting water leaks and water waste. Additionally, because their patrols include the Mt. Baldy area, they also “partner” with the San Antonio Canyon Watershed Committee in monitoring issues affecting water quality within the watershed area.

There was consensus on the Committee to recommend the Board provide a \$1,000 monetary contribution to the San Antonio Heights Citizen’s on Patrol.

- C. *AB3057 [Quirk-Silva] as amended*** – Mr. Moorrees advised the Committee that AB3057 is an act to amend and to add to the Revenue and Taxation Code relating to taxation for exempt organizations. The bill acts to conform State law to Federal income tax laws which the Water Company is currently exempt from. To qualify for the Federal tax exemption, the Water Company must derive 85% or more of its revenues from shareholders. The inconsistency with Federal law and the State is that the California Revenue and Taxation Code does not contain an exemption that is equivalent to Internal Revenue Code 501(c)(12).

Mr. Moorrees requested the Committee review the proposed bill and recommend the Board send a letter of support as included in the agenda packet.

There was consensus on the Committee to recommend the Board send the letter of support.

- D. *Conflict of Interest Policy*** – Mr. Moorrees was recently made aware by SAWCo’s legal counsel that a written conflict of interest policy is required by the Internal Revenue Service (IRS). This is part of their regime for monitoring and seeking compliance with the Excess Benefit Transaction contained in the intermediate sanctions statute.

Mr. Thomas advised that the City of Upland Public Works Director, Rosemary Hoerning, would like to have this policy reviewed by the City of Upland’s attorney.

Mr. Sanchez questioned whether this was standard form and from where it was derived. Mr. Moorrees replied a Form 990 is submitted each year to the IRS and one of the questions on the form is whether or not there is a written conflict of interest policy.

There was consensus on the Committee to recommend the presented policy to the Board subject to the City of Upland’s attorney review.

- E. *Employee Health Benefit Trust Fund*** – Mr. Moorrees reminded the Committee that SAWCo previously had a program that allowed employees with sick leave in excess of a specific amount of days to cash in those excess days for half the salary dollar amount. SAWCo staff questioned whether or not the Committee would be receptive to consider a

program for its employees that would allow excess sick and vacation leave to be placed into a health benefit plan for employees to utilize during their retirement.

Mr. Cable stated his company offers something similar to its employees.

Ms. Layton explained the program is not something SAWCo staff would need to administer and very little time would be spent initiating the program.

There was consensus on the Committee to have staff research the program and present the details at a future Committee meeting.

**F. *Workers Compensation Insurance*** – Mr. Moorrees explained this renewal should have been presented to the Board for approval at the April 17<sup>th</sup> Board meeting due to the 5/1/2018 renewal date; however, staff received the renewal information on April 18<sup>th</sup>.

Mr. Thomas explained that last year the Board approved changing SAWCo's Workers' Compensation Insurance to Cal-Mutual JPRIMA via The Zenith, a Fairfax Insurance Company. This program provides a 3 year plan for water systems and allows participants to exit the plan anytime if there is a 15% or more increase in the premium.

Staff budgeted \$25,877 this year for Workers Compensation Insurance. The annual premium for the Cal-Mutual JPRIMA via The Zenith, a Fairfax Insurance Company is \$16,027.

Mr. Moorrees asked the AFC to review, discuss and approve the automatic renewal of SAWCo's Workers' Compensation Insurance three year program with Cal-Mutual JPRIMA The Zenith, a Fairfax Insurance Company from 5/1/2018 to 5/1/2019 at an annual premium of \$16,027.

Mr. Sanchez moved and Mr. Cable seconded to approve the automatic renewal of SAWCo's Workers' Compensation Insurance three year program with Cal-Mutual JPRIMA The Zenith, a Fairfax Insurance Company from 5/1/2018 to 5/1/2019 at an annual premium of \$16,027. Motion carried.

**G. *Domestic Shares Appurtenant to Land*** – Mr. Moorrees reported to the Committee that legal counsel advised staff that Section 14300 regarding mutual water companies contains a provision that states, "shares shall be appurtenant to certain lands when the same are described in the certificate issued and a certified copy of the articles or bylaws recorded in the office of the county recorder in the county where the lands are situated the shares of stock shall become appurtenant to the lands". SAWCo shares are personal property and therefore not appurtenant to land.

SAWCo expends a lot of time and money each year trying to keep stock transfers current. A lot of work is caused by shareholders not keeping the Water Company advised of transfers, such as in a divorce, death, transfers in Trust, etc.

Mr. Moorrees asked the AFC to deliberate and make recommendations as appropriate for the Board to make certain shareholdings appurtenant to land within the domestic service area of the San Antonio Heights.

Mr. Cable moved and Mr. Sanchez seconded to continue business status quo. Motion carried.

6. Closed Session: Deleted from the Agenda.
7. Committee Comments and Future Agenda Items: None.
8. Adjournment: The committee determined there was no further business and adjourned the meeting at 3:44 p.m.

The next regular Administration and Finance Committee meeting is scheduled for June 26, 2018 at 3:00 p.m.

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Assistant Secretary  
Charles Moorrees