



SAN ANTONIO WATER COMPANY MEETING AGENDA

for ADMINISTRATIVE & FINANCE COMMITTEE

January 26, 2021 @ 3pm

By Virtual/Online or Teleconference Only

Please join the meeting from your computer, tablet or smartphone.
<https://global.gotomeeting.com/join/590087013>

You can also dial in using your phone. United States: [+1 \(669\) 224-3412](tel:+16692243412) Access Code: **590-087-013**

▪ Call to Order

1. Recognitions and Presentations:

2. Additions-Deletions to the Agenda:

3. Public Comments

This is the time for any shareholder or member of the public to address the committee members on any topic under the jurisdiction of the Company, which is on or not on the agenda. Please note, pursuant to the Brown Act the Committee is prohibited from taking actions on items not listed on the agenda. For any testimony, speakers are requested to keep their comments to no more than four (4) minutes, including the use of any visual aids, and to do so in a focused and orderly manner. Anyone wishing to speak is requested to voluntarily fill out and submit a speaker's form to the manager prior to speaking.

4. Approval of Committee Meeting Minutes

Regular Committee Minutes of November 24, 2020.

5. Administrative and Financial Issues:

A. Financial Reporting

Review of draft financial report

B. Employee Benefits

Review and consider additional benefits for employees

C. Building Reserve Fund

Discussion on earmarking sale of Benson property for future capital

D. Ontario Museum Request

Verbal update

E. COVID Response

Verbal update

6. Closed Session: None

7. Committee Comments and Future Agenda Items:

- This is the time for committee's comments and consideration on future agenda items relative to the interests and business of the company and its shareholders.

8. Adjournment:

The next regular Administration and Finance Committee meeting will be held on March 23, 2021 at 3:00pm

NOTE: All agenda report items and back-up materials are available for review and/or acquisition from the Company Office (139 N. Euclid Avenue, Upland, CA.) during regular office hours, Monday through Thursday [7:00 – 11:30 and 12:30 – 5:00] and alternating Fridays [7:00 – 11:30 and 12:30 – 4:00]. The agenda is also available for review and copying at the Upland Public Library located at 450 N. Euclid Avenue.

POSTING STATEMENT: On January 21, 2021, a true and correct copy of this agenda was posted at the entry of the Water Company's office (139 N. Euclid Avenue), 460 N. Euclid Avenue (Upland City Hall), and on the Water Company's website.

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

Agenda Item No. 5B

Item Title: Employee Benefits

Purpose:

To review potential employee benefits.

Issue:

Is there value to the Company in providing the discussed benefits?

Manager's Recommendation:

Recommend to the full Board the additional employee benefits as presented by staff including any changes as appropriate.

Background:

At the last Administration & Finance Committee (AFC) meeting, when the benefit study was discussed, it was suggested that staff look at some neutrally desirable additional employee benefits that would help the Company remain competitive with surrounding local agencies. After reviewing the benefit study, staff came up with the following additional benefits for consideration:

- Eliminate the year deferral for 50% employer paid dependent medical coverage. Currently a new employee has to wait a year before getting this benefit.
- Investigate the ability to eliminate the year deferral for 401k contributions. – Most retirement benefits for new employees start right away. This would require a change in our current 401k plan requirement.
- Change Floating Holiday time from 32 hours to 36 hours, bringing Company holiday hours up to regional median.
- Raise limit on vacation from 200 hours accrual to 400 hours – The study reported some agencies having anywhere from 200 to 480 hours limit. As a small water company, sometimes emergencies prevent staff from utilizing their time off when desired. The additional limit allows more flexibility.
- Vacation buy back – May be paid cash for unused vacation for up to 60 hours if have used at least 40 hours of vacation in a calendar year. Employee must maintain at least 160 hours of vacation in their account. This is actually a savings to the company because vacation hours belong to the employee once accrued. Reducing vacation hours on the books reduces the Company outstanding liability.
- Raise limit on sick leave accrual from 460 hours to 800 hours – The study reported sick leave max from 600 to 2000 to no limit. An adjustment would be more in line with other agencies.
- Sick Leave Pay Out – buy back at ½ rate on termination or retirement. – The study showed different possibilities from ½ rate paid on termination to 100% paid on retirement to conversion to vacation days. This seems like a reasonable alternative.

Agenda Date: January 26, 2021

- Sick Leave Pay Out - May be paid cash for unused sick leave at ½ rate for hours above 600 in account. This option supports and encourages those employees who practice healthy lifestyles.
- 457 (B) Deferred Comp – Add this benefit and allow employees to make voluntary contributions – All the water entities offered this benefit with some contributing money for the employee.
- Flexible Spending Account (FSA) – Add this benefit to allow employees to make voluntary tax deferred contributions to use for medical expenses At least 5 of the other agencies provided this benefit.

Impact on the Budget:

Vacation Pay out: \$ 18,874.80

Administrative Fees for FSA are expected to minimal

Previous Actions:

Compensation and Benefit Study [October 2020] approved at Board meeting 12/15/20

Agenda Item No. 5C

Item Title: Building Reserve Fund

Purpose:

To discuss setting up a building reserve fund.

Issue:

The sale of a portion of the Company's Benson property has yielded funds that have been intended to fund a new office/yard headquarters. The funds have not been set up as a reserve for this project.

Manager's Recommendation:

To discuss and recommend to the full Board a reserve fund for the anticipated new office and yard facility.

Background:

The Board in 2014 put in the budget for a feasibility study on a new office/yard facility. The current locations were over 85 years old and needs lots of update. In 2015, it was determined that the feasibility study was too high and to form an Ad-Hoc that was comprised of Board members and staff. This Ad-Hoc met publicly and obtained an architect and conceptual design. The process was stalled when it was learned in 2016 that the City of Upland desired to purchase half of the Benson property for the purpose of a replacement reservoir for the City. The sale was agreed to in order to utilize the funds for the building of a new office/yard headquarters for San Antonio Water Company on the northerly portion of the property.

The City of Upland requested that they utilize the north portion of the site while they build their new reservoir. The completion of the reservoir is unknown at this time. With the uncertainty of when the Company will be able to continue to proceed with their new office/yard facility, it was suggested to set aside the funds obtained from the sale in a special restricted fund for the capital outlay for the new office/yard facility.

Impact on the Budget:

2019 - \$345,759

2020 - \$345,000

2021 - \$344,000

TOTAL \$1,034,759 [designated as restricted and unavailable for other use]

Previous Actions:

Board approved reserve policy 2/18/20

- Operating reserve – 90-180 days budgeted operating expenses
- Capital Investment and Depreciation Reserve Funds – 5% - 20% of Company's total property & equipment from auditor's statement
- Debt Service Reserves – Minimum as set forth in borrowing documents

Agenda Date: January 26, 2021

Based on reserve policy:

- Operating Reserves - \$794,200 [90 days] - \$1,588,400 [180 days]
- Capital Investment and Depreciation Reserve Funds - \$1.0 million - \$4.0 million
- Debt Service Reserves - \$0

Total Reserve requirement: \$1.7 million - \$5.5 million

Current Investments as of Nov. 2020 - \$7.7 million