



SAN ANTONIO WATER COMPANY

MEETING AGENDA

for

ADMINISTRATIVE & FINANCE COMMITTEE

September 22, 2020 @ 3pm

By Virtual/Online or Teleconference Only

Please join the meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/835338549>

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- 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 July 28, 2020.

5. Administrative and Financial Issues:

A. Inventory Policy

Review and provide feedback on policy for recommended approval to Board

B. Disposal of Records

Recommend approval of record disposal based on adopted retention schedule

C. Draft Request for Qualifications (RFQ) for Investment Advisor

Review RFQ and provide feedback

D. Rental Agreements

Review current process and discuss provided alternatives

E. Board Gift

Review past practices and provide direction for 2020 and budget submittal for 2021

F. Financial Reporting

Verbal discussion on process of improvement

G. COVID Response

Verbal update

6. Closed Session: None

7. Committee Comments and Future Agenda Items:

- o 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 November 24, 2020 at 3:00pm

NOTE: All agenda report items and back-up materials are available for review and/or acquisition at the Company Office (139 N. Euclid Avenue, Upland, CA.) during regular office hours, Monday through Thursday [8:00 – 11:30 and 12:30 – 4:00] and alternating Fridays [8:00 – 11:30 and 12:30 – 3:00]. The agenda is also available for review and copying at the Upland Public Library located at 450 N. Euclid Avenue.

POSTING STATEMENT: On September 17, 2020, 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

July 28, 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 3:00 p.m. on the above date as noticed. Committee Members present were Jose Sanchez, Bob Cable, Rudy Zuniga, and Tom Thomas. Also in attendance were Monte Vista Water District General Manager Justin Scott-Coe, 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: Mr. Cable moved and Mr. Zuniga seconded to approve the meeting minutes of May 26, 2020. Motion carried unanimously.
5. Administrative and Financial Issues:
 - A. ***Identity Theft Prevention Program*** – Mr. Lee stated this item is an update for a program already in place.

Ms. Layton advised the policy is verbatim what was previously approved by the Board in 2008. The updates have been made to the names of the Directors, General Manager, dates, and the like. If there are any changes needed, the Committee can recommend those at this time.

Mr. Lee then stated any updates and/or changes approved would be made, then presented to and signed by staff.

Mr. Sanchez asked if there were any comments or questions from the Committee. He then brought attention to line item number 33 regarding staff being alerted to phone phishing. He felt email phishing was much more likely to take place and asked that it be included on the list.

Mr. Cable moved and Mr. Zuniga seconded to recommend the Board approve the program updates as presented with the addition of email phishing. Motion carried unanimously.

- B. ***Travel Policy*** – Mr. Lee explained SAWCo does not currently have an approved travel policy for when staff or directors travel on company business. Ms. Layton has put together a policy for review, comment, and recommendation.

Mr. Thomas made mention there has been very little travel done by the Board of Directors in the time he has served.

Mr. Cable moved and Mr. Sanchez seconded to recommend the Board approve the Travel Policy as amended. Motion carried unanimously.

- C. ***Employee Handbook Revisions*** – Mr. Lee thanked Ms. Layton for spearheading this item. Staff reviewed the entire handbook and has run revisions through the human resource consultant on two occasions.

Mr. Cable inquired about the ability of field staff to wear shorts. Mr. Lee replied field staff does not wear shorts as they perform a lot of construction type work and need full length protection for their legs.

Mr. Sanchez provided a few corrections and some suggested additions to the handbook. The Committee members discussed the possible changes which included adding “at any time with due notice” in the third paragraph of page four, replacing the use of pregnancy disability leave with maternity leave, replacing the use of illegal drugs with controlled substances, preventing the use of social media during office hours, and adding “but is not limited to” regarding the description of inappropriate social media postings.

Mr. Sanchez moved and Mr. Cable seconded to recommend the Board approve the employee handbook with agreed upon revisions. Motion carried unanimously.

- D. ***Benefit and Compensation Proposals*** – Mr. Lee advised staff received three proposals for the Benefit and Compensation Study. Staff has reviewed all proposals and asks that the Committee recommend the Board approve Reward Strategy Group (RSG) with a not to exceed budget of \$18,700.

Mr. Thomas felt it evident RSG has more knowledge of the Company. Mr. Cable commented their references and past jobs prove they are the most qualified to perform the study.

Mr. Sanchez mentioned DeLoach & Associates proposal as having some interesting measures.

Mr. Zuniga moved and Mr. Cable seconded to recommend the Board award the contract for the Benefit and Compensation Study to RSG.

- E. ***Financial Discussion*** – Mr. Lee advised this item is for discussion. He is looking at scheduling a time to meet with both Mr. Sanchez and Ms. Martha Goss. Staff is researching quarterly and yearly reporting and an RFP for a financial advisor has been prepared.

Mr. Sanchez responded that he agreed with the list Mr. Lee had compiled. Investments and reserves had already been discussed. He felt organizing the list in order of importance would help keep them on track. He felt reporting was the most important and wished to begin discussion with that as the focus.

Mr. Thomas inquired as to whether or not staff can simply alter the current program to provide the type of reporting needed or would it require upgrading the software. Mr. Lee responded staff looked into having the current system altered and the costs involved were exorbitant. It was suggested that reports could be imported into Excel or another software such as Quickbooks could be utilized.

Ms. Layton advised she will be looking into a new billing software and possibly requesting it budgeted for the next year. Mr. Zuniga suggested asking the City of Upland, as they have billing software from the same company, for assistance in reporting. Mr. Lee replied he would have SAWCo contact the City of Upland if they have not already done so.

- F. COVID Response** – Mr. Lee advised that he will have this item on the agenda for the AFC and Board meetings so long as the recommendations and orders continue to be updated. He reported there is a glimmer of hope as most recent reports indicate a plateau in the number of positive cases in the State.

Office staff numbers have been reduced to no more than three at any given time. Field staff does come in and out throughout the day.

Mr. Sanchez requested rewording of the verbiage in the agenda item prior to the next update.

- G. Goals and Objectives for General Manager** – Mr. Lee inquired as to what the AFC would like him as General Manager to achieve over the next year.

Mr. Thomas asked that Mr. Lee generate a list with more items than possible to complete for the Committee to choose from and prioritize.

Mr. Sanchez asked that Mr. Lee list any forthcoming issues he sees so that the Committee can aid in selecting goals for their resolution. The question was asked when the Business Continuity Plan was last updated. Mr. Lee replied he would look into it. Mr. Sanchez asked that it be put on the General Manager's Goals and Objectives list.

Mr. Lee will put together a list of possible Goals and Objectives, including what issue brought about the need for the goal, and will email them to the Committee for review and revising. He will do the same for the Planning, Resources, and Operations Committee and will then compile a complete list to present to the Board.

6. Closed Session: None.
7. Committee Comments and Future Agenda Items: None.
8. Adjournment: Seeing no further business, Mr. Zuniga moved and Mr. Cable seconded to adjourn the meeting at 3:54 p.m. The motion carried unanimously.

Assistant Secretary
Brian Lee

Agenda Item No. 5A

Item Title: Inventory Policy

Purpose:

To develop and maintain an Inventory Policy.

Issue:

Does the Committee approve the draft Inventory Policy?

Manager's Recommendation:

That the Committee recommends to the full Board approval of the draft Inventory Policy.

Background:

Staff has prepared the attached draft Inventory Policy for consideration.

Impact on the Budget:

None.

Previous Actions:

None.



Purpose

Inventory management is the process we use to order, receive, account for and manage the various products used in providing water service to our shareholders. It is the purpose of this Inventory Policy to ensure that the recording, identification, and accountability of all inventory be maintained.

General Provisions

Guidelines

The Company has established the following as an inventory process:

- An Inventory Management List of items identified to be substantial and important to manage will be created and maintained.
- Any new item added to inventory will be reviewed by management to determine if it should be added to the Inventory Management List.
- The Inventory Management List will identify a minimum and maximum quantity of each inventory item to be stored.

Procurement of Inventory

Inventory items will be tallied by field personnel on a monthly inventory sheet. This inventory count sheet will be submitted to the Accounting and Personnel Specialist at the end of each month. The Accounting and Personnel Specialist will determine if any inventory items are below policy quantities and notify field personnel of any shortages or overages. Field personnel will prepare the necessary purchase orders to acquire sufficient quantities of each item to maintain policy minimum amounts.

Field personnel will be responsible to maintain physical inventory and record any additions or deletions on a monthly inventory sheet.

The Accounting and Personnel Specialist will control inventory counts through the accounting software and will maintain outside spreadsheet(s) to ensure accuracy of inventory items and balance to the general ledger.

Distribution of Inventory

Field personnel will track usage of inventory on Work Orders, indicating the physical location where each item was used (by address or facility name) so the expense can be recorded accurately. Upon job completion Work Orders will be turned in to the Accounting and Personnel Specialist.

Physical Audit of Inventory

No less than 30 days prior to the end of the fiscal year the Field Supervisor and the Accounting and Personnel Specialist will coordinate a physical audit of inventory. Field personnel will count each physical inventory item and record on a spreadsheet. This information will be turned into the Accounting and Personnel Specialist.

Inventory shrinkage is defined as physical inventory items being less than the recorded inventory amount. During the end-of-year audit, when inventory shrinkage is greater than 2% of inventory total for any specific item, the Accounting and Personnel Specialist will notify management for discussion and direction. If shrinkage amount is less than 2%, the Accounting and Personnel Specialist will adjust the inventory account accordingly.

Agenda Item No. 5B

Item Title: Disposal of Records

Purpose:

To approve disposal of records in accordance with the adopted retention schedule and Record Management Policy.

Issue:

Does the Committee approve disposing of the files as presented based on the approved retention schedule?

Manager's Recommendation:

That the Committee recommends to the full Board approving the disposal of files presented pursuant to the adopted retention schedule and Record Management Policy.

Background:

In 2007, San Antonio Water Company (SAWCo) hired ITIQ Solutions, a consultant, to establish a policy for the proper management of its office files from creation to destruction.

On June 19, 2012, the Board approved the Record Management Policy.

The policy states under Record Destruction 2.0:

2.1 Three to six months after year-end, the Office Assistant will proceed with destruction of all files that have exceeded their recognized holding period and have been approved by the Board for destruction.

2.2 A listing of file categories to be destroyed will be circulated to the Board prior to destruction for review and comment. The actual listing of records destroyed will be maintained permanently for future reference.

Attached is a listing of the files to be destroyed. If approved by the committee, it will proceed to the Board for approval on the Consent Calendar.

Impact on the Budget:

Not a budgeted item. Approximate cost for shredding is \$350 from Operations budget.

Previous Actions:

None.

Certificate of Records Destruction

1) Records Destroyed by: Debbie Osgood		2) Date of Destruction: 2020		Page 1 of 4	
3) Division/Department/Title: Office personnel		4) Location: SAWCO		5) Phone: 909-982-4107	
6) Records to Be Destroyed					
a) Schedule and Records Series No.	b) Records Series Title	c) Date Range (mo/yr)	d) Location	e) Type	f) Method of Destruction
32	Monthly Reads	1996-2011	shed	File Box #1	Shred
72	Irrigation Reports	2006	shed	File Box #1	Shred
67	Employees assistance	2007	shed	File Box #1	Shred
67	Workers Comp	1995	shed	File Box #1	Shred
45	Payroll Taxes	2012-2013	shed	File Box #1	Shred
53	Old website data	2010	shed	File Box #1	Shred
32	A/R paid inv	1998-2003	shed	File Box #1	Shred
32	Accounts receivable	2000-2001	shed	File Box #1	Shred
32	Billing inv	2000-2001	shed	File Box #1	Shred
72	Work orders	2011	shed	File Box #1	Shred
38	Terminated Employee Files	1991-2008	shed	File Box #2	Shred
45	Retirement Monthly Contributions	1991-1996	shed	File Box #2	Shred
45	Retirement Monthly Contributions	1997-2011	shed	File Box #2	Shred
45	Time Sheets	2011-2013	shed	File Box #3&4	Shred
72	Work Orders	1995-2012	shed	File Box #4	Shred
32	Customer Payment Stubs	2011-2012	shed	File Box #5	Shred

Signature_____
Date_____
Title

Certificate of Records Destruction

1) Records Destroyed by: Debbie Osgood		2) Date of Destruction: 2020		Page 2 of 4	
3) Division/Department/Title: Office personnel		4) Location: SAWCO		5) Phone: 909-982-4107	
6) Records to Be Destroyed					
a) Schedule and Records Series No.	b) Records Series Title	c) Date Range (mo/yr)	d) Location	e) Type	f) Method of Destruction
32	Customer Payment Stubs	2012-2013	shed	File Box #6	Shred
32	Customer Payment Stubs	2012-2012	shed	File Box #7	Shred
31	Bank Stmts/Deposit Slips/cxld cks.	2004/2005	shed	File Box #8	Shred
31	Bank Stmts/Deposit Slips/cxld cks.	2005/2006	shed	File Box #9	Shred
57	Employment Applications	2005-2006	shed	File Box #10	Shred
57	Employment Applications	2013-2015	shed	File Box #10	Shred
35	Benefit Research	2001	shed	File Box #10	Shred
35	Plan & Trust Agmt (SCMWCA)	1976	shed	File Box #10	Shred
54	401k Correspondence	2000-2004	shed	File Box #10	Shred
64	Board Reports	2015	shed	File Box #11	Shred
64	Manager Reports	2007	shed	File Box #11	Shred
30	Billing Register	7/3/1995	shed	File Box #11	Shred
32	Customer Payment Stubs	2011	shed	File Box #11	Shred
32	Tier Reports	2003-2005	shed	File Box #12	Shred
32	Meter Reads	1996	shed	File Box #13	Shred
54	Dev. Files - no activity, no will-serve	1997-2017	shed	File Box #13	Shred

Signature

Date

Title

Certificate of Records Destruction

1) Records Destroyed by: Debbie Osgood		2) Date of Destruction: 2020			Page 3 of 4
3) Division/Department/Title: Office personnel		4) Location: SAWCO			5) Phone: 909-982-4107
6) Records to Be Destroyed					
a) Schedule and Records Series No.	b) Records Series Title	c) Date Range (mo/yr)	d) Location	e) Type	f) Method of Destruction
35	Lease notices [expired]	2007 - 2011	shed	File Box #13	Shred
54	Clipboard correspondence	2011	shed	File Box #13	Shred
53	Office Remodel	2007	shed	File Box #13	Shred
54	Office beautification	2007	shed	File Box #13	Shred
35	Solomon Software file	2008	shed	File Box #13	Shred
53	Telephone/Verizon file	2002-2015	shed	File Box #13	Shred
53	Datafone information file	2006	shed	File Box #13	Shred
53	Panasonic cd and manual	2006	shed	File Box #13	Shred
47	OSHA correspondence	2003	shed	File Box #13	Shred
53	Teleconference Info. File	2002	shed	File Box #13	Shred
67	Blue Shield Info packs	6/30/1995	shed	File Box #14	Shred
67	Blue Sheild Grp contract	2005-2008	shed	File Box #14	Shred
67	ACWA Health	2007-2008	shed	File Box #14	Shred
67	Blue Shield Admin Guide	1999-2004	shed	File Box #14	Shred
67	Blue Shield Health Ins.	2009	shed	File Box #14	Shred
67	ACWA Vision	2014	shed	File Box #14	Shred

Signature

Date

Title

Agenda Item No. 5C

Item Title: Draft Request for Qualifications (RFQ) for Investment Advisor

Purpose:

To discuss the possibility of obtaining an Investment Advisor.

Issue:

Should the Company hire an Investment Advisor?

Manager's Recommendation:

That the AFC authorize release of the draft Request for Qualifications to hire an Investment Advisor.

Background:

A revised Investment policy was adopted by the Board earlier this year (attached). To facilitate adherence to the adopted Investment Policy, it may be prudent to hire an Investment Advisory. Staff has prepared the attached draft RFQ for consideration.

Impact on the Budget:

Unknown at this time. Costs will be established through a professional services agreement with a Board selected Investment Advisor.

Previous Actions:

None.



Purpose

The purpose of this investment policy is to establish guidelines to invest funds in a manner which ensures the safety and preservation of financial capital while meeting reasonably anticipated operational needs, achieving a reasonable rate of return and conforming to all state and local statutes governing the investment of funds.

General Provisions

Scope

This policy applies to the investment of all operating funds.

This policy does not apply to investments held in trust for the Company's retirement plans as these investments are subject to policies established by the plan trustees.

This policy does not apply to non interest-bearing accounts.

Objectives

The primary objectives, in priority order, of the Company's investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the Company shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio by mitigating certain risks. Some of those risks are:
 - a. Interest Rate Risk – the Company will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by focusing on or prioritizing strategies that include:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operation and avoiding the need to sell securities on the open market prior to maturity.
 - Investing operating funds primarily in short-term securities, money market mutual funds or investment pools.
 - b. Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations, will be reduced by focusing on or prioritizing strategies that include:
 - Limiting investments to higher rated securities as further described in this policy.

- Diversifying the investment portfolio so that potential losses on individual securities will be reduced.
2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the Company to meet all operating requirements that might be reasonably anticipated. At least yearly, Company will forecast cash flow needs and adjust investment maturities to match those needs.
 3. Return on Investments: The investment portfolio shall be designed with the objective of maximizing the yield or returns on investments, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives.

A secondary objective would be to invest in the local community

Prudence

The standard of prudence to be used by Company officials involved in the investment program shall be the “prudent investor” standard and shall be applied in the context of managing the overall portfolio. The prudent investor standard is, “when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing Company funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the company, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the company.”

The CFO/Treasurer and delegated investment officers, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Delegation of Authority

The Board of Directors’ authority to invest Company funds is delegated to the Company’s Chief Financial Officer (CFO) / Treasurer. Such delegation shall expire and be renewed annually, by Board Resolution, in conjunction with the annual investment policy review.

The CFO/Treasurer shall be responsible for monitoring all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials/staff in the absence of the CFO/Treasurer. All transactions will be reviewed by the CFO/Treasurer on a regular basis to ensure compliance with this Policy. No Person may engage in an investment transaction except as

provided under the terms of this Investment Policy and the procedures established by the CFO/Treasurer.

Ethics and Conflicts of Interest

Officers, Directors and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Company's General Manager/CEO any material financial interest in financial institutions that conduct business within the Company, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Company.

All bond issue participants, including but not limited to, underwriters, bond counsel, financial advisors, brokers, and dealers will disclose any fee sharing arrangements or fee splitting to the CFO/Treasurer prior to the execution of any transaction.

Authorized Broker-Dealers

The CFO/Treasurer will maintain a list of approved financial institutions authorized to provide investment services to the Company. These may include primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York, or regional dealers that qualify under Securities and Exchange Commission Rule 15C33-1 (uniform net capital rule).

All Broker Dealers who desire to conduct investment transactions with the Company must supply the CFO/Treasurer with the following:

- Audited Financial Statements
- Proof of Financial Industry Regulatory Authority (FINRA) certification
- Proof of State of California registration
- Completed broker/dealer questionnaire (except Certificate of Deposit counterparties)
- Certification of having read the Company's investment policy and depository contracts

Authorized and Suitable Investments

The following are authorized investments:

A. Local Agency Investment Fund (LAIF).

The Company may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (CGC §16429.1). The fund must have 24-hour liquidity. There is no limitation on the percentage of the Company's portfolio that may be invested with LAIF.

B. United States Treasury Securities.

United States Treasury notes, bonds, or bills for which the full faith and credit of the United States is pledged for the payment of principal and interest (CGC §53601(b)). There is no limitation as to the percentage of the Company's portfolio that may be invested in these securities. Except as otherwise permitted in this policy, maximum investment maturities are limited to five years.

C. Federal Agency Obligations.

The Company is permitted to invest in federal agency or United States government sponsored enterprise obligations, participations, mortgage backed securities or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government sponsored enterprises (CGC §53601(f)). Maximum maturity is limited to five years. There is no limitation as to the percentage of the Company's portfolio that may be invested in agencies.

D. Bank Depository Accounts.

The Company may invest in insured or collateralized certificates of deposit, savings accounts, market rate accounts, or other bank deposits issued by a state or national bank, savings and loan associations, or state or federal credit unions located in California.

Real estate mortgages in excess of ten years are not considered acceptable collateral by the Company.

All financial institutions holding Company deposits are required to provide the Company with a regular statement of pooled collateral. This report will state that they are meeting the 110% collateral rule, a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool.

Deposits are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), and a maximum deposit of up to the federal insurance limits may be deposited in any one institution without collateral. No bank shall receive Company deposits in excess of the federal insurance limits that has a long-term debt rating by Moody's investors Service, Standard & Poor's, or Fitch Ratings of less than 'A'. The maximum maturity is restricted to three years.

No deposit shall exceed the shareholder's equity of any depository bank, nor shall a deposit exceed the total net worth of any institution. No deposits shall be made at any financial institution if a member of the Board of Directors or the General Manager/CEO or CFO/Treasurer of the Company serves on the Board of Directors or a committee of the financial institution.

E. Municipal Securities.

Registered treasury notes or bonds issued by the State of California or any of the other 49 states, including bonds payable solely out of the revenues from a revenue producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any states.

Bonds, notes, or other evidence of debt issued by a local agency within the State of California. This includes bonds payable solely out of revenue from a revenue-producing property owned, controlled, or operated by the local agency, or by an authority of the local agency.

Securities must have a debt rating of at least 'AA' by a Nationally Recognized Statistical Rating Organization (NRSRO). Maximum maturity is limited to five years from the date of purchase, and holdings of this type of security are limited to a maximum of 20% of the Company's investment portfolio.

F. Commercial Paper.

Commercial paper of 'prime' quality of the highest ranking of the highest letter and number rating as provided for by a NRSRO and must be issued only by general corporations that are organized and operating within the United States and have total assets in excess of \$500 million. The general corporation must have an 'A' rating or better on debt other than commercial paper, if any, assigned by an NRSRO.

Purchases shall not exceed 5% of the outstanding paper of the issuing corporation, and maximum maturity is restricted to 270 days. This type of investment shall not exceed 15% of the Company's investment portfolio.

G. Placement Service Deposits.

The Company may invest in Certificates of Deposit placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States. The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. Placement Service Deposits, in combination with bank certificates of deposit shall not exceed 25% of the value of the Company's investments at any time. The maximum investment maturity will be restricted to three years.

H. Medium Term Notes.

The Company may invest in corporate and depository institution debt securities issued by corporations organized and operating within the United States, or by depository institutions licensed by the United States or any state and operating within the United States.

Securities eligible for investment under this section shall be rated 'AA' or better by an NRSRO. The maximum maturity is restricted to five years, and investment in this category of security shall not exceed 30% of the Company's investible funds, and not more than 5% from a single issuer.

I. Money Market Funds.

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission.

The diversified management company shall either:

- 1) have attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs or
- 2) retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). A maximum of 15% of the Company's investible funds can be invested in Money Market Mutual funds.

J. Prohibited Investments.

The Company shall not invest any funds covered by this Investment Policy in any investments not specifically identified in this policy without explicit authorization by the Board.

Review of Investment Portfolio

The securities held by the Company must be in compliance with the above section 'Authorized and Suitable Investments' at the time of purchase. Because some securities may not comply with this section subsequent to the date of purchase, the CFO/Treasurer shall at least quarterly review the portfolio to identify those securities that do not comply. The CFO/Treasurer shall establish procedures to report to the Company's Board of Directors, major and critical incidences of non-compliance identified through the review of the portfolio.

Investment Pools / Mutual Funds

When the Company's investment portfolio includes Investment Pools and Mutual Funds, as permitted in the section 'Authorized and Suitable Investments', the CFO/Treasurer shall as a matter of due diligence, monitor the assets held by the pools/funds. At least quarterly, the CFO/Treasurer will conduct an investigation to determine the following:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculation and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how it is assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

Safekeeping and Custody Agreements

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the Company shall be kept in safekeeping by a third-party bank trust department, acting as agent for the Company under the terms of a custody agreement executed by the bank and the Company. All securities will be received and delivered using standard delivery versus payment (DVP) procedures with the Company's custodial bank and evidenced by safekeeping receipts.

Diversification and Maximum Maturities

The Company will diversify its investment by security type and institution. With the exception of the US Government, its agencies and instrumentalities, and the Local Agency Investment Fund, no more than 5% of the Company's total investment portfolio will be invested in a single security type with a single financial institution unless explicitly authorized by the Board.

To the extent possible, the Company will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Company will not directly invest in securities maturing more than 5 years from the date of purchase. Reserve funds may be invested in securities exceeding 5 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Internal Controls

The CFO/Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Company are protected from loss, theft, or misuse. The internal control structures shall be designed to provide reasonable assurance that these objectives are met. Internal controls shall be in writing and shall address the following: separation of transaction authority from accounting and record keeping, safekeeping of assets and written confirmation of telephone transactions for investments and wire transfers.

The external auditors will annually review the investments and general activities associated with the investment program. This review will provide internal control by assuring compliance with the Investment Policy and Company policies and procedures.

Performance Standards

The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints, and the cash flow needs.

The Company's investment strategy is passive. The performance of the Company's investment portfolio will be evaluated and compared to an appropriate benchmark in order to assess the success of the investment portfolio relative to the Company's Safety, Liquidity, and Return on Investments' objectives.

Investment Reporting

The CFO/Treasurer will prepare a quarterly Investment Report and render the report to the Board of Directors no later than 30 days after the close of each calendar quarter.

The report shall provide the type of investment, issuers, the date of maturity, par values and market values of each investment, transactions occurring during the reporting period, and identification of funds managed by third party managers. The report will also include 1) certification that all investment transactions have been made in compliance with the Company's Investment Policy, and 2) a statement that the Company has the ability to meet all of its expenditure requirements during the next six months.

Policy Adoption

Adoption. This policy shall be reviewed annually with the Board of Directors and adopted by Board Resolution.

Delegation of Authority

The Board has sole authority to amend or revise this Investment Policy.



San Antonio Water Company

Incorporated October 25, 1882
Serving the original Ontario Colony lands

A REQUEST FOR QUALIFICATIONS

TO PROVIDE INVESTMENT SERVICES TO THE SAN ANTONIO WATER COMPANY

PROJECT TITLE:

COMPREHENSIVE INVESTMENT BROKER/DEALER SERVICES

RESPONSE DUE BEFORE 3:00 PM

On X, 202X

Introduction

The San Antonio Water Company is soliciting Statements of Qualifications from qualified individuals or firms to assist in managing Company fiscal assets and following Company financial policies.

General Information

In 1882 Canadians George and William Chaffey purchased 8,000-acres of the Cucamonga Rancho, including the water rights, and established an irrigation colony which they named Ontario, in honor of their homeland. On October 25, 1882 they also established the San Antonio Water Company under the General Corporation Laws of the United States. Rancheria water rights established back in the 1700's were transferred to the Company to support the newly established irrigation colony. The brother's vision was to develop a Mutual Water Company whose members shared equally in the locally available water supply.

The brothers sold irrigation colony land in 10-acre blocks, primarily intended for the booming citrus industry. Along with the land, the brothers sold shares in the Company, one share for each purchased acre. Each shareholder was entitled to a portion of available local water, distributed equally by the company amongst all the shareholders. The Company was responsible for distributing water on a non-profit basis to the shareholders.

Since 1882 the San Antonio Water Company has consistently provided water service to its shareholders. Although the local citrus industry has largely disappeared, the Company maintains delivery to current shareholders utilizing the same successful 'per share' distribution plan established over 135 years ago.

The Company does not import any water. Instead we are dependent on our local San Antonio Canyon and Cucamonga Canyon watersheds and downstream groundwater basins.

Currently, our shareholders include most residents of the unincorporated area of San Antonio Heights, the Cities of Upland and Ontario, the Monte Vista Water District, local quarries and the proud heritage of remaining grove irrigators.

Current Company investments and reserves are shown on the attached Monthly Investment Activity Summary. **Proposed** Company Investment Policies are attached.

Statement of Qualifications – Investment Broker/Dealer

Please complete the attached Questionnaire and Certification.

Schedule

The Company anticipates the following timeline and key milestones for award of the project:

SOQ Due Date	X 1, 202X
Administration Finance Committee (AFC) Review	X , 202X
Interview	TBD – If necessary
Board of Director’s Approval	X,202X
Consultant’s Notification	X, 202X

Exceptions to this RFQ

The Consultant shall certify that it takes no exceptions to this RFQ.

Evaluation Criteria

The evaluation criteria and the respective weights that will be given to each criterion are as follows:

- a) 25% Understanding and approach to the work to be done
- b) 25% Experience of firm with similar kinds of work
- c) 50% Experience of staff for work to be done

Selection Process and Schedule

Key senior staff and select Company Directors will independently review and rank each SOQ. Based on an aggregate of those reviews, the Company will likely enter into negotiations with the top ranked firm. If there is no clear ‘top ranked’ firm, interviews may be scheduled.

Negotiations will cover scope of work, contract terms and conditions, attendance requirements, and appropriateness of the proposed fee schedule.

After negotiating a proposed agreement that is fair and reasonable the General Manager will present the contract to the Company’s Board for authorization to execute a contract with the most responsive firm.

Related Documents

- Broker/Dealer Questionnaire and Certification
- SAWCo Investment Report – December 2019

Interested proposers should immediately contact the Company to register for inclusion on the project distribution list. Revisions or supplemental information to this RFQ will be issued through

addenda by email and posted on the Company's website. Proposers are responsible for receipt of any and all addenda.

Submittal Requirements

One (1) executed original marked "ORIGINAL" in red ink and 6 copies of the SOQ shall be delivered, along with one electronic copy in PDF format on thumb drive. SOQs will not be accepted in any other format. SOQs will not be accepted by email, fax or verbally. The SOQ shall be signed by an individual, partner, officer or officers authorized to execute legal documents on behalf of the Firm.

The Response SOQ must be received no later than **3:00 p.m.** local time, on or before **X 1st, 202X** at the office of:

Statement of Qualifications – Broker/Dealer

San Antonio Canyon Water Company
139 North Euclid Avenue
Upland, CA 91786
Attn: Brian Lee

Failure to comply with the requirements of this RFQ may result in disqualification. Questions regarding this RFQ shall be submitted in writing to blee@sawaterco.com.

San Antonio Water Company
BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION

Name of Firm: _____

Address: _____

Telephone Number: _____

	Primary Representative	Manager/Partner-in-Charge
Name:	_____	_____
Title:	_____	_____
Telephone:	_____	_____
# of Years in Institutional Sales:	_____	_____
# of Years with Firm:	_____	_____

Are you a Primary Dealer in U.S. Government Securities? _____

Are you a Regional Dealer in U.S. Government Securities? _____

Are you a Broker instead of a Dealer? (e.g. You DO NOT own positions of Securities) _____

What is the net capitalization of your Firm? _____

What is the date of your Firm's fiscal year-end? _____

If you are a depository institution, please provide the following and most current certified and audited information:

Tangible, Core and Risk-Based Capital Ratios _____

CRA Rating _____

Is your Firm owned by a Holding Company? _____

If so, what is the name and net capitalization of said Holding Company? _____

Please attach your Wiring and Delivery Instructions.

List the instruments offered regularly by your local desk?

Which of the above does your Firm specialize in Marketing?

Please identify your most directly comparable clients in our geographical area

Entity _____

Contact Person _____

Telephone # _____

Client Since _____

What reports, transactions, confirmations and documents would we receive? Will they be in electronic form? _____

Please include sample of research reports or market information that your firm regularly provides to local agency clients. Please include sample Daily Offering sheets with your SOQ.

What precautions are taken by your firm to protect the interest of the public when dealing with government agencies as investors? (We are not a government agency, but our investment policies match government agencies closely.) _____

Have you or your firm been censured, sanctioned or disciplined by a Regulatory, State or Federal Agency for improper or fraudulent activities related to the sale of securities within the last five years? _____

If YES, please explain: _____

Please indicate and provide evidence of the current licensing status of the Company's representative:

Agent _____ Licenses or registration _____

Is your firm a member of the NASD? Does it subscribe to the "Rules of Fair Practice?" _____

I have completed and am returning the Broker/Dealer Questionnaire and Certification and have read, signed and retained for our files, a copy of the San Antonio Water Company Statement of Investment Policy for the fiscal year 2020.

Broker/Dealer _____

Date _____

Operating Ratio > 1.5 and < 2.8

Operating Revenues / Operating Expenses (with or without Depreciation & Amortization)

Ability to cover day-to-day expenditures, excluding depreciation, using operating revenues (mostly charges to customers). This ratio should be significantly higher than 1.0 to accommodate capital investments.

Local Water rate comparison

Water rate per unit compared to other local agencies to reflect rate competitiveness. It should only be used in conjunction with other measures that also validate the utility's capital investment efforts.

Current ratio

Unrestricted current assets (excluding inventories and prepaid items) / Current Liabilities

Financial security ratio that indicates ability to cover obligations. Should be much greater than 1 if it is to show efforts at planning for the future.

Days Cash on Hand > 427 (per Fitch AAA ratings)

Unrestricted cash and investments / [Operating expenses (excluding depreciation & amortization) / 365]

(e.g., average daily expenses)

Financial security ratio that indicates ability to maintain operations despite income interruptions.

Debt service coverage ratio > 2.7 (Fitch AAA ratings) > 1.9 (Fitch A ratings)

[Operating revenue – Operating expenses (excluding Depreciation)] / Principal & Interest payments on long term debt

Capacity to cover debt obligations

Reserve Fund Adequacy > 1

Total Reserve Funds / Annual Operating Expenses (excluding depreciation and debt service)

Indicator of reserve fund adequacy to cover capital investments and/or unexpected emergencies.

Agenda Item No. 5D

Item Title: Policy on Water Service to Rental Properties

Purpose:

To make changes to the terms and conditions under which a Shareholder can direct delivery of water to a tenant occupying real property owned by the Shareholder.

Issue:

The Company's exemption from PUC regulation is dependent upon us delivering water only to shareholders.

Manager's Recommendation:

That the AFC recommends the Board approve the changes to the written policy on shareholder rentals as prescribed.

Background:

The San Antonio Water Company must conform to its Statutes and Bylaws when taking actions on shareholder's water service accounts and shareholding.

Under the Bylaws and Articles, a shareholder may instruct the Company where their entitlement water is to be delivered. It is assumed under the Bylaws and Articles that the shareholder has the right to receive entitlement water at the location specified.

Under current policy water bills may be held in tenants' names if appropriate records are provided to the Company. Constant changes in tenants, inability to obtain copies of rental agreements, non-existent rental agreements, etc. create difficulty in managing existing procedure.

Without proper records as required by current policy, it could be argued that we are delivering water to a non-shareholder when a non-shareholding tenant is listed on the Company water bill, even if water is being delivered to property owned by a shareholder.

To reduce record keeping and associated headaches and risk, staff proposes to amend Company policy so that all water bills are sent to the shareholder, but a copy of the water bill will also be sent to the property address for tenant review and payment.

Staff recommends that the AFC review, comment and/or make recommendations regarding the policy changes for shareholder rentals and provide comments to the proposed policy changes as presented.

Impact on the Budget:

N/A

Previous Actions:

None.

PROPOSED POLICY STATEMENT

Section: **Policy Changes** Statement
Subject: Shareholder Rentals

Section No:
Effective:

Purpose:

To authorize and provide the **changes to the** terms and conditions under which a Shareholder can direct delivery of water to a tenant occupying real property owned by the Shareholder.

Section I

The San Antonio Water Company (SAWCo) will deliver water to the tenant of a Shareholder upon request, subject to compliance with this Policy as follows:

1. ~~Shareholder shall file with Company a copy of a Rental Agreement with tenant, which shall be marked "confidential", and treated as such by Company. No particular form of Rental Agreement shall be required, but must be legally sufficient under California law.~~
2. ~~Water Company will deliver water to the tenant of a Shareholder upon request, subject to compliance with this Policy.~~ **The water company will continue to deliver the water to the shareholder's property.**
3. ~~Shareholder shall advise Water Company in writing of the address where the water bill shall be sent.~~
4. Water Company will **mail** the all water bills **to the Shareholder and will also mail a copy of the bill to the tenant.**
5. Shareholder shall advise Water Company in writing of the Shareholder's address and telephone number which is to be considered as the last known address of the Shareholder for all purposes.
6. Water Delivery to a tenant of Shareholder shall not be deemed to be, or interpreted to be, a Lease of Shares. A Shareholder cannot make a Lease of Shares to a non— Shareholder under Water Company policy and its Articles of Incorporation and Bylaws.
7. Shareholder shall be and remain a Shareholder of Water Company for all purposes, notwithstanding the delivery of water to a tenant as designated by the lease.

Agenda Item No. 5E

Item Title: Board Gift - End of the Year Luncheon

Purpose:

Consider an annual end-of-year monetary gift for employees in recognition for their services to the Company.

Issue:

In past years the Board has presented a monetary gift to employees at the end of year celebratory luncheon.

Manager's Recommendation:

Discuss this year's Board gift and budgetary figure for 2021.

Background:

In past years the Board has given an end-of-year gift to Company employees as a monetary 'thank-you' for service to the Company. Board gifts for the past ten years have been \$1,250 for each employee.

If a gift is provided to employees, it is recommended that it be prorated for any employee that has not yet completed a year's service and current part time employees.

In the past, it has been the pleasure of the Board to hand out the gifts to its employees at the end of the year luncheon. This year, COVID allowing, our luncheon will be held at the Magic Lamp on Thursday, December 3, 2020.

Previous Action:

At a special meeting on November 13, 2019 the AFC made a recommendation to the full Board to authorize the end of year gift @ \$1,250 per employee and prorated for part-time employees. It was also discussed to bring this item up earlier for consideration for budget and any change.

Impact on Budget:

\$12,000, budgeted for 2020.

Agenda Item No. 5F

Item Title: Financial Reporting

Purpose:

Consider and discuss moving forward with development of monthly, quarterly and yearly financial reports.

Issue:

How to increase transparency through improved Company financial reporting

Manager's Recommendation:

Discuss and provide direction to Staff

Background:

Board and Staff have committed to improve transparency in reporting of Company financials. A first step occurred with the new yearly budget format. Directors have requested that we continue making improvements to our financial reporting by improving monthly and quarterly reports to the Board.

Previous Action:

NA

Impact on Budget:

NA

Agenda Item No. 5G

Item Title: Company Response to COVID-19

Purpose:

To discuss the Company's response to the COVID-19 Pandemic.

Issue:

How are State and Local Government Recommendations and Orders impacting the Company during the COVID-19 Pandemic?

Manager's Recommendation:

No recommendation. For discussion only.

Background:

While the nation continues to grapple with appropriate responses to the pandemic there has been limited disruption to the Company's operations.

Impact on the Budget:

Limited but currently uncategorized

Previous Actions:

None.