

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

July 23, 2024

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was held at the Company office and called to order at 3:00 p.m. on the above date as noticed. Committee Members present were Bill Velto, Bob Cable, and Rudy Zuniga. Also in attendance were SAWCo's General Legal Counsel Derek Hoffman and General Manager Brian Lee. Director Velto presided.

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 May 28, 2023. Motion carried unanimously.
5. Administrative and Financial Issues:
 - A. ***Stock Auction November 2024- Recommend approving timeline for a proposed 2024 stock auction in November-*** Mr. Lee stated staff has a stock auction proposed for November 2024 for three shareholder certificates with a total of 6.75 shares. He added one of the shareholders up for auction holds most of those shares and staff has been in communication with said shareholder, but they have not paid their outstanding bills.

Director Cable moved and Director Velto seconded to approve the timeline for a proposed 2024 stock auction in November and send to the full Board for approval.

- B. ***Request for Proposals to Conduct a Rate Study- Recommend authorizing staff to release a Request for Proposals-*** Mr. Lee stated it is not recommended to conduct a rate study internally, and rather hire an outside consultant. He added he has been in communication with the City of Upland and has added their consultant to SAWCo's list of requests for proposals.

Director Velto questioned if SAWCo staff can coordinate with the City of Upland and if it would be beneficial or not to use the same consultant.

Mr. Hoffman responded SAWCo staff has identified 5 candidate firms that may be familiar with the City of Upland, SAWCo, or familiar to Mr. Lee. He added it may or not be beneficial due to differences in the rate structures, with the City of Upland being a municipality and SAWCo being a mutual water company.

Mr. Lee and Director Cable both expressed the importance of the consultant understanding the difference between a municipality and a mutual water company.

Mr. Hoffman added the focus of the study is to reassess the cost structure of the company, make sure a company operates at cost and not more than that, and all the costs associated. The proposal is to be sent to the five candidates and responses are to be reviewed by staff and legal counsel to be brought back to the full Board.

Mr. Lee stated one of the specific issues in the request for proposal is to consider the use of assessments to fund partially or fully capital improvements versus the rate increase.

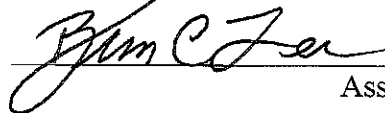
Director Velto questioned if the use of assessments would require the vote of the shareholders.

Mr. Hoffman responded it may require a vote but added the Board has some discretion on that and staff would have to follow the Bylaws. He added assessments allow to tag a specific cost to a specific project and fund it and move forward.

Mr. Lee concluded if the AFC Committee is aware and approves, staff will release the RFP to the five candidates, staff will receive the responses and bring those back to the AFC Committee. If the Committee is agreeable, staff will bring back the best candidate to the full Board.

Mr. Hoffman suggested to name the rate study the 2025 Rate Study, because it will not be implemented until 2025.

6. Closed Session: None.
7. Committee Comments and Future Agenda Items: Mr. Hoffman commented on the previous request to change the start time of the AFC Committee meetings to 4:00 PM. He stated there is not an official resolution that was adopted, but instead for staff to make notice of the change in start time and update the website, and if a resolution is needed, he can provide that.
8. Adjournment: Seeing no further business, the meeting was adjourned at 3:10 p.m.



Assistant Secretary
Brian Lee