

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

October 22, 2019

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 Jose Sanchez, Bob Cable, Rudy Zuniga, and ex officio Tom Thomas. Also in attendance were SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell. Mr. Sanchez presided.

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 August 27, 2019. Motion carried.
5. Administrative and Financial Issues:
 - A. ***Proposed Financial Policies*** – Mr. Lee advised the drafts included in the agenda packet are merely a starting point for creating proper financial policies. He inquired as to whether there was a preferred order in which to create the policy types listed on the agenda memorandum. The Committee expressed no preferred order.

Mr. Sanchez noted that regarding the investment policy, the Board of Directors will need to make a decision on the risk it's willing to assume with regard to investments. He commented the proposed policy is very conservative but Board members may feel additional measures may be warranted.

Mr. Thomas expressed concern that the wording of the policies may place an excessive amount on the Treasurer.

Mr. Sanchez voiced concern for separation of duties. All of the work cannot fall on the Treasurer nor all on staff.

The Committee agreed the priority proposed for the policy should be principal risk, liquidity risk, and return on investment.

The Committee and staff discussed SAWCo's financial position including reserves accounts and operating funds.

Mr. Sanchez recommended forecasting cash flow needs of the Company and then matching the maturities to those needs. He also recommended requesting suggestions from the auditors about how much SAWCo should have in an emergency fund.

Mr. Sanchez also commented in regards to reserves funds that capital reserves should include two components; one for planned expenditures and one for emergencies.

Mr. Lee is to take all feedback into account and present a second draft to the Committee.

Mr. Sanchez suggested Mr. Lee take the comments from this discussion and present them to the Planning, Resources, and Operations Committee for their comments. The AFC can then discuss all comments at their next meeting and provide direction to the Board.

Mr. Lee mentioned the possibility of presenting a draft broker request for qualifications (RFQ) at the next AFC meeting.

Mr. Sanchez advised including language in the policy that states items not specifically identified are prohibited rather than listing all the prohibited items individually.

Mr. Lee stated he anticipates quarterly Board review of the company portfolio position. The committee felt the item would be suited for the consent calendar of the Board agenda.

Mr. Sanchez also expressed a desire to review investment ratios on a quarterly basis to measure the performance of investments.

October 22, 2019

Mr. Lee advised he would be putting together a Broker RFQ for the next meeting as well as narrowing down what ratios to use along with finalizing the policies chosen for discussion during the meeting.

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 3:55 p.m.

A handwritten signature in black ink, appearing to read "Brian Lee", written over a horizontal line.

Assistant Secretary
Brian Lee