

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

September 26, 2023

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 3:02 p.m. on the above date as noticed. Committee Members present were Bill Velto and Rudy Zuniga. Also in attendance were SAWCo's General Legal Counsel Derek Hoffman, General Manager Brian Lee, and Administrative Specialist Tiffany Dickinson. 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 Zuniga moved and Director Velto seconded to approve the meeting minutes of May 23, 2023. Motion carried unanimously.
5. Administrative and Financial Issues:
 - A. ***Presentation, Discussion and Possible Action on Company's 401k program*** – Mr. Lee advised SAWCo has a 401k program currently in place, that has been in place for quite some time. In an effort to determine whether the Company is getting the best value, a Request for Proposal (RFP) was issued earlier this year and received two responses, one from our current provider and one from Morgan Stanley.

Mr. Lee introduced Ali Rahimi, representative of Morgan Stanley, who will be presenting the proposal for Morgan Stanley. Mr. Lee stated staff recommended to stay with SAWCo's current provider and ask Morgan Stanley to do a benchmarking study.

Mr. Rahimi thanked the Committee and staff for the opportunity to present. He stated he came upon this opportunity from Mr. Lee's predecessor Charles Moorees who referred him to Teri Layton. Mr. Rahimi provided a Retirement Solutions Deck and started the focus on Cost of Administration.

Mr. Rahimi referred to page 7 of the Retirement Solutions Deck, Cost Comparisons, which he stated Morgan Stanley does every three years, compared to SAWCo's current plan that was last done 5-6 years ago. He stated plan benchmarking is more comprehensive for both parties.

Mr. Rahimi stated the cost is not where the staff's focus is but rather more on the lack of support and the lack of performance staff are receiving. He stated we can make changes to lower costs from 1.37% to 1%.

Mr. Rahimi reassured he would meet with each employee individually and determine what is financially best for everyone. Director Velto commented on how important a close relationship between employee and financial advisor is.

Mr. Rahimi stated Ms. Layton is currently the fiduciary of the plan. He stated 16 of 25 funds do not meet Morgan Stanley guidelines and that tends to happen when a company does not have 338 fiduciary support. If SAWCo would make the switch to Morgan Stanley, they would take that responsibility of fiduciary of the plan.

Mr. Rahimi also recommended getting rid of the TPA, third party administrator. Director Velto commented that by having the right qualified fiduciary and getting rid of the third party, the company can lower costs and be more efficient.

Director Velto questioned if the company was to make a complete change to Morgan Stanley what the timeline would be and the cost. Mr. Rahimi stated there is no cost, it will be a few meetings before decisions are made and including a 30-day blackout period where employees cannot make any changes.

Mr. Rahimi's last recommendation was to include automatic enrollment for employees and automatic escalation for each year.

Mr. Lee stated staff recommends moving forward to the Board with the recommendation to switch to Morgan Stanley.

Director Zuniga moved and Director Velto seconded to approve to move forward to the Board to move forward with Morgan Stanley.

B. Discussion on Field Services moving to a 4/10 work schedule – Mr. Lee stated he has received multiple requests from Operations staff to move to a ten-hour workday, four days a week. The proposal is for Operations staff to move to a 4/10 schedule but keep Administrative staff to the current work schedule.

Director Velto inquired if SAWCo has looked into call for services on the weekend.

Mr. Lee commented that having ten-hour days would increase efficiency and that is what he is trying to prove with this proposal.

Director Velto questioned if staff has thought about surveying the San Antonio Heights residents. He wants to make sure the residents are comfortable with the switch to the 4/10 schedule. Mr. Lee reassured there will always be an operations staff member on call even when the office is closed. Mr. Lee stated he has an upcoming presentation for the Heights Association and is willing to bring up the schedule change proposal discussion at the meeting.

There was consensus on the Committee to bring the item to the November AFC Committee Meeting for further review.

C. Discussion and Possible Action on Board's Annual End-of-Year Employee Gift – Mr. Lee advised the annual end of year employee gift is a budgeted item, about \$15,000. The previous gift amount was increased to \$1,500 per employee as a thank you to SAWCo employees.

Director Velto inquired if the gift was taxable. Mr. Lee responded it is taxable, everything given to Company employees is taxable.

Director Zuniga questioned if staff is recommending continuing the Board gift or to raise or lower the amount.

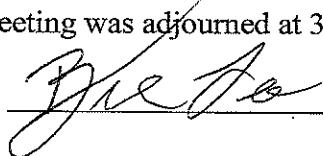
Mr. Lee requested authorization to continue the end of the year Board gift of \$1,500.00 to the employees.

There was consensus on the Committee to recommend the Board authorize staff to continue the end of year Board Gift of \$1,500.00 to SAWCo employees. Motion carried.

6. Closed Session: None.

7. Committee Comments and Future Agenda Items: None.

8. Adjournment: Seeing no further business, the meeting was adjourned at 3:54 p.m.



Assistant Secretary
Brian Lee