

SAN ANTONIO WATER COMPANY
ADMINISTRATION and FINANCE COMMITTEE (AFC)

MINUTES

May 23, 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 3:00 p.m. on the above date as noticed. Committee Members present were Bob Cable, Bill Velto, and Rudy Zuniga. Also in attendance were SAWCo's General Legal Counsel Derek Hoffman, General Manager Brian Lee, and Senior Administrative Specialist Kelly Mitchell. Director Cable presided.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: None.
3. Public Comments: None.
4. Approval of Committee Meeting Minutes: Director Velto moved and Director Zuniga seconded to approve the meeting minutes of March 28, 2023. Motion carried unanimously.
5. Administrative and Financial Issues:
 - A. ***Investment Advisor Proposal Response*** – Mr. Lee advised SAWCo is currently, and has been for several years, utilizing Equity Services Incorporated with Mark McKeon as their investment advisor. In an effort to determine whether the Company is getting the best value, a Request for Proposal (RFP) was issued to a select number of firms. The proposal results were disappointing as only two were received. As such, staff proposes SAWCo continue to utilize Equity Services Incorporated for the time being but hire Morgan Stanley to provide an analysis of their current program.

There was consensus on the Committee to bring the item to the Board for consideration.

- B. ***Information Technology Proposal Response*** – Mr. Lee stated he spoke directly with all five information technology (IT) companies that were sent an RFP, however, only two of the companies submitted proposals. Of the two received, Inland Productivity Solutions (IPS) provided a proposal more tailored to SAWCo's needs while the other was broader.

Mr. Lee recommended SAWCo continue utilizing IPS as their IT consultant.

There was consensus on the Committee to bring the item to the Board for consideration.

- C. ***Stock Auction – November 2023*** – Mr. Lee advised there are a total of $\frac{3}{4}$ shares meeting the requirements for auction at this time. A timeline for the proposed stock auction was included in the meeting packet. Director Velto requested detailed information on the stock certificates to possibly aid in locating the shareholders.

There was consensus on the Committee to bring the item to the Board for consideration.

- D. ***Update of Fee Schedule*** – Mr. Lee advised the fee schedule for meters has not been updated in several years. Being a nonprofit, SAWCo needs the charges for installing and upgrading meters to match actual costs. Staff provided a detailed list of the current cost to install or upgrade a water meter, verifying they do not match the current fee schedule.

There was consensus on the Committee to bring the item to the Board for consideration.

- E. ***Adjust Online Payment Transaction Charges*** – Mr. Lee stated the current charge for online payments is 1% but does not cover the cost SAWCo incurs from the credit card processing company. Staff recommends charging a flat payment processing fee of \$3 per transaction instead of a percentage of the bill being paid. This charge is in addition to the \$1.25 charge incurred by customers from SAWCo's software company.

There was consensus on the Committee to bring the item to the Board for consideration.

- F. ***Adjust Tier 2 Rates for Remainder of Calendar Year*** – Director Cable commented on the fact that SAWCo has extra water to sell this year but may not be in the same situation next year. Therefore, rather than raising the entitlement, adjusting the Tier 2 water rate for the remainder of the year is a better option.

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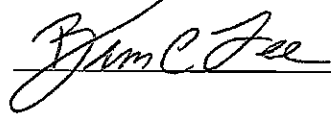
Director Zuniga inquired as to why SAWCo would sell more water this year rather than hold the excess water over until next year in case of a dry year. Mr. Lee responded SAWCo is spreading and storing water everywhere they can, however, there isn't enough storage space for the amount of water they have. If they don't sell the water, they will lose it. Mr. Lee pointed out that in order for the adjusted tier rate to work, SAWCo will need to bring current their water agreements with the City of Upland, City of Ontario, and Monte Vista Water District.

Staff and legal counsel are working to fine tune the specifics of this proposal to alter the Tier 2 rate and will have more specifics for the Board should the Committee choose to recommend the item be presented at the next Board meeting.

Mr. Hoffman stressed the importance of making certain any water rate alteration is done within legal parameters. He will be looking into that prior to the release of the final proposal to the Board.

There was consensus on the Committee to bring the item to the Board for consideration.

6. Closed Session: None.
7. Committee Comments and Future Agenda Items: None.
8. Adjournment: Seeing no further business, the meeting was adjourned at 3:19 p.m.



Assistant Secretary
Brian Lee