

SAN ANTONIO WATER COMPANY
MINUTES OF THE SAN ANTONIO WATER COMPANY
Wednesday, December 11, 2024

An open meeting of the Board of Directors of the San Antonio Water Company (SAWCo) was called to order at 9:05 a.m. on the above date at the Company office. Directors present were Will Elliott, Bill Velto, Kati Parker, Bob Cable, and Becky Miller. Also in attendance virtually was Director Bowcock. Also in attendance were SAWCo's General Manager Brian Lee, General Counsel Derek Hoffman and Senior Administrative Specialist Tiffany Dickinson. Director Elliott presided.

1. Recognitions and Presentations: None.
2. Additions-Deletions to the Agenda: Mr. Hoffman added there was a minor addition to the agenda in which out of formality being the budget workshop is still a meeting of the Board, staff must follow the Brown Act regarding remote participation. He added Director Bowcock is participating remotely, traveling for another agency, and confirmed there is no other person above the age of 18 with him, which does qualify for exception.

Director Cable moved and Director Parker seconded to approve Director Bowcock's remote participation in the December 2024 Board Budget Workshop. Motion carried unanimously.

3. Shareholder-Public Testimony: None.
4. Consent Calendar Items:
 - A. **Approval of Board Meeting Minutes of November 19, 2024** - Director Miller moved and Director Parker seconded to approve the Board Meeting Minutes of November 19, 2024. Motion carried unanimously.

5. Budget Workshop:
 - A. **"Draft" CY2025 Administration and Operations Budget and Capital Improvement and Capital Outlay Budget** – Mr. Lee stated staff blended the administration and operations budget and capital improvement and outlay budgets because they are very interrelated. The 2025 budget as presented is a 'pay as you go' budget, not trying to dip or add to the reserves, a zero net gain budget this year. Staff are projecting a \$5 million income and \$5 million expenditures.

Mr. Lee stated staff has one (1) project that is budgeted this year, which is the Well 31 pipeline project that was awarded at last month's board meeting to CP Construction.

Mr. Lee added staff has a couple of capital projects in the works that might want to be added later while also in the middle of a rate setting study that hopefully will set into gear early 2025. He added staff is proposing based on the rate study to revisit the budget later 2025 to add additional capital projects in 2025. The primary project will be the Forebay Outfall which is under design right now and will be an estimated one-million-dollar project. The other project will be the design of the pipeline from Well 19 up past the dam and tying that into our domestic system, which will be a multi-million-dollar project.

He also added the other project that is included in the budget but not tied to the rates or anything shareholder directly is the new building facility on 20th St. which is planned to be paid for fully by property sale, the main office, the operations facility and excess property on Benson Ave. The sale of the three properties is anticipated to fund the entire construction of 20th St. facility. Even though it is not in the budget, construction is not planned for 2025, there is a strong possibility that we will be able to start construction in 2025.

Director Elliott questioned if there were any reports or studies to get more information on projects that staff has said to revisit.

Mr. Lee responded staff has the completed 2020 Masterplan which outlays the capital programs for the next 10-15 years. SAWCo also has an Urban Water Management Plan that is a state mandated plan that is due this year. SAWCo is in a consortium of agencies working together looking to award that contract this upcoming January with Cucamonga Valley Water District leading that charge, organizing that group of 6-7 agencies. The goal is to hire one contractor to do all the agencies Urban Water Management Plans.

The final project he added is the Benefit and Compensation Study that is scheduled for 2025 which staff likes to do every 5 years.

Director Velto questioned if paying for the construction of the new facility on 20th St. from the sales of the 139 N Euclid Ave., operations yard, and Benson property will be after construction is complete or during.

Mr. Lee responded the plan once staff get a better feeling what construction costs will be and to fully budget the project, is to obtain a bridge loan through Citizens Business Bank that will cover the cost

of construction until we can divest ourselves of these properties and pay off the loan with the sale of those properties.

Mr. Lee added staff is planning for 13,000 AF entitlement next year and if current weather conditions do not loosen up and there is no rainfall, staff may have to lower the entitlement. We do have enough water in storage to cover, but that will add a tremendous expense because pumping from the ground uses a lot of electricity. If mother nature is generous with excess rainfall in the springtime and with good canyon flow, raising the entitlement is an option but complicates things because shareholders will see it as way to use more water. Instead, 2 years ago, staff took the tier 2 rate and changed it to the tier 1 rate instead of raising the entitlement allotments.

Director Velto questioned if the capacity is available for solar panels for wells to lower the cost of electricity.

Mr. Lee responded with the issue with solar and water companies is the square footage needed for solar panels does not typically exist on the wells that use the energy, but they exist on the reservoir site. It will be very difficult to transfer power from one parcel to another. A solar panel can be installed at a reservoir site, but the power will have to be used at that same site.

One final item regarding the budget Mr. Lee reported on was legal consulting expenses will be increasing, which are already baked into the budget. Staff is planning on bringing the new rates to the January 2025 Board Meeting.

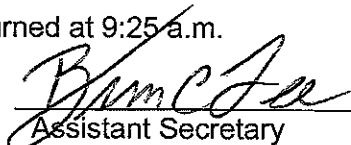
Mr. Lee concluded staff will be working with legal counsel on any last edits on the budget and bring it to the board for consideration and adoption at the next Board meeting on Tuesday, December 17, 2024.

6. Director's Comments and Future Agenda Items:

Director Elliot thanked and appreciated staff on the work put into the budget and the overall process of the meetings.

Adjournment:

With no further business to discuss the meeting was adjourned at 9:25 a.m.


Assistant Secretary
Brian Lee