MIXED CAPITAL COMPANIES

MIXED CAPITAL COMPANIES

Mixed capital companies
A registered company whose capital belongs partly to a local public Administration or several local public Administrations and partly to a private partner or several private partners, with the main goal of **managing a public service or an economic activity of general interest**.

- The holder of the service is the public administration
- A Board with a Managing Director and simple majority required for the decision-making. The Board decides the dividends distribution, nevertheless, the statute can state the minimum dividend to be distributed in order to avoid the capitalization of the dividend every year.
- The Mixed capital company prepares the tariff review proposals that the regional Authority has to approve.
- The private partner contributes with its professional experience and general efficiency to the Mixed capital company, and is in charge of the Mixed capital company management. Nevertheless, the public Administration as a partner of the Mixed capital company participates in its management.

MIXED CAPITAL COMPANIES

Private Partner
49%

Municipality
51%

Cash Contribution ⇢

Dividends ⇠

Management FEE ⇠

At the end: contribution back ⇠

⇠ **Non cash Contribution (Right of use on the assets)**

⇢ **Dividends**

⇢ **At the End : Assets back**

Concession Contract

MIXED CAPITAL COMPANIES

Private partner

- ✓Provides initial capital
- ✓Becomes a minority shareholder
- ✓Develops and implements the strategic and investment plans of the company (Business Plan)
- ✓Incorporates technologies and solutions of high added value.
- ✓Modernizes technical processes and management practices to improve the efficiency of the service (know-how and best practices).
- ✓Provides key high-level staff

Water Company (mixed capital company)

- ✓ Runs the whole water cycle
- ✓ Must keep the assets in good state and give them back at the end of the concession

Public partner

- ✓ Keeps the majority of shares
- ✓ Nominates its members of the board of directors
- ✓ A regulatory commission controls the performance of the water company and establishes the main lines.

MIXED CAPITAL COMPANIES

Ownership	• Public partner usually being the majority shareholder
Governance	• General shareholder assembly (GSA) elects Board members and approves accounts • Board of directors usually chaired by the Mayor • Board of directors often comprised by a majority of private partners
Operations	• Management by the private operator • Working force mainly form the public partner • General Manager proposed by the private operator subject to approval by the Board of directors.

MIXED CAPITAL COMPANIES

Advantages

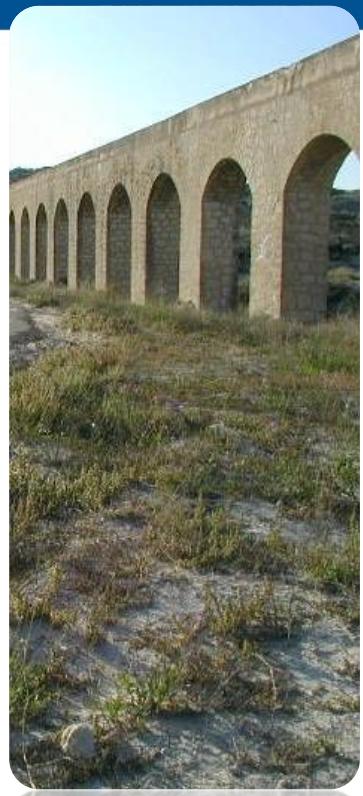
- Long contract period
- Secure framework
- Known investment return
- Authority engagement
- Flexibility to enlarge towards collateral services
- Release of municipal funds
- Efficient management
- Recurrent cash-flow to the municipal funds.
- Good population perception.

Disadvantages

- Risk of public involvement on management autonomy
- High-management costs for small municipalities
- Oversizing of employees and investments
- Relatively complex establishment of legal framework.
- The partnership can not so easily be terminated in case of negligence or dissatisfaction.

- Private partner
- Public partner
- General

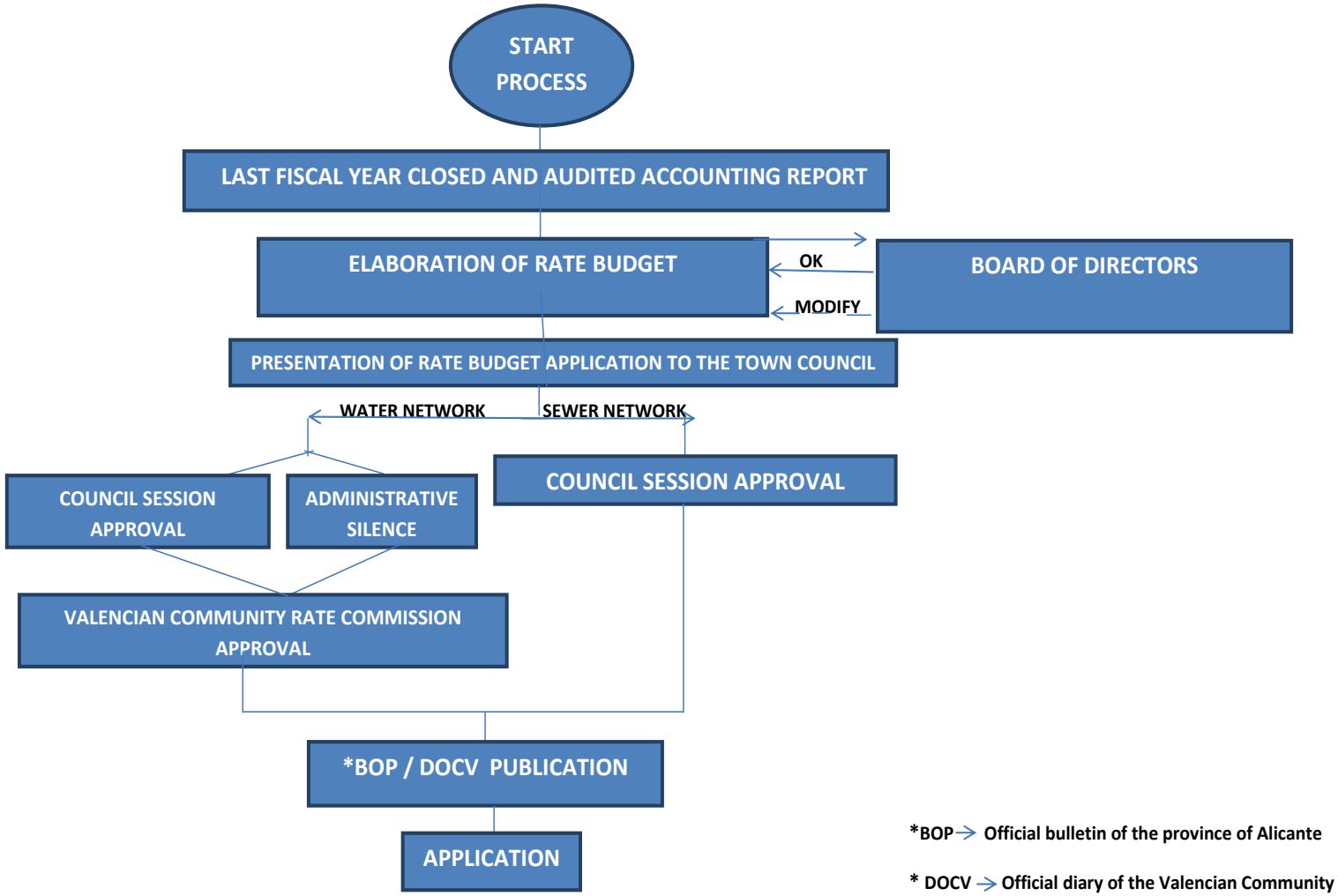
Case study: AMAEM - ALICANTE Mixed company
History and present



- The origin of "**Aguas de Alicante**" dates back to 1898.
- In 1953 a 50/50 Public-Private Partnership was established with the City Town Council
- The Board of Directors is formed by Town Council representatives and Agbar in equal numbers, the chairman is the city Mayor.
- Alicante Council has recently renewed the contract with the company until 2036. That renewal for 20 years more than the initial contract will allow the Municipality to payback for the 59M€ investment mainly in sewage and reuse networks.
- Private part payment : Dividends
- Financials: own company assets + shareholders direct investments if necessary.
- Control Mechanism: assessment of performance indicator.

Case study: AMAEM - ALICANTE Mixed company

Tariff approval process



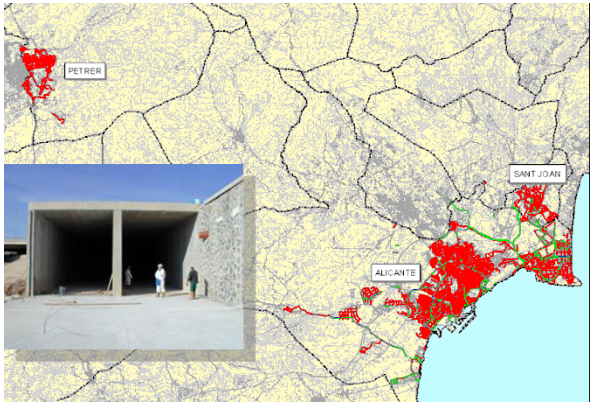
*BOP → Official bulletin of the province of Alicante

* DOCV → Official diary of the Valencian Community

Case study: ALICANTE Mixed company

- Aguas Municipalizadas de Alicante, Empresa Mixta (A.M.A.E.M.) is present in the municipality of Alicante, and 5 surrounding towns.
- The supplied population amounts to 532.677 inhabitants, reaching 700.000 in the summer (2010 data).

- The length of the distribution network is 2.247 Km with 171 Km. of trunk mains.
- Approximately 40 million cubic meters of water are distributed. A system of 34 storage tanks, with a total capacity of more than 332.632 m^3, also act as flow and pressure regulators.



- In addition to the water distribution network, Aguas de Alicante manages the sewer network of the municipalities of Alicante, San Juan and Monforte, comprising 739 Km of mains, that include stormwater channels with a section of 10x5 m.
- An underground C.S.O. Retention Tank of 60.000 m3 (20 Olympic pools) has recently been finished. It will hold the water of the largest rains before it reaches the WWTP

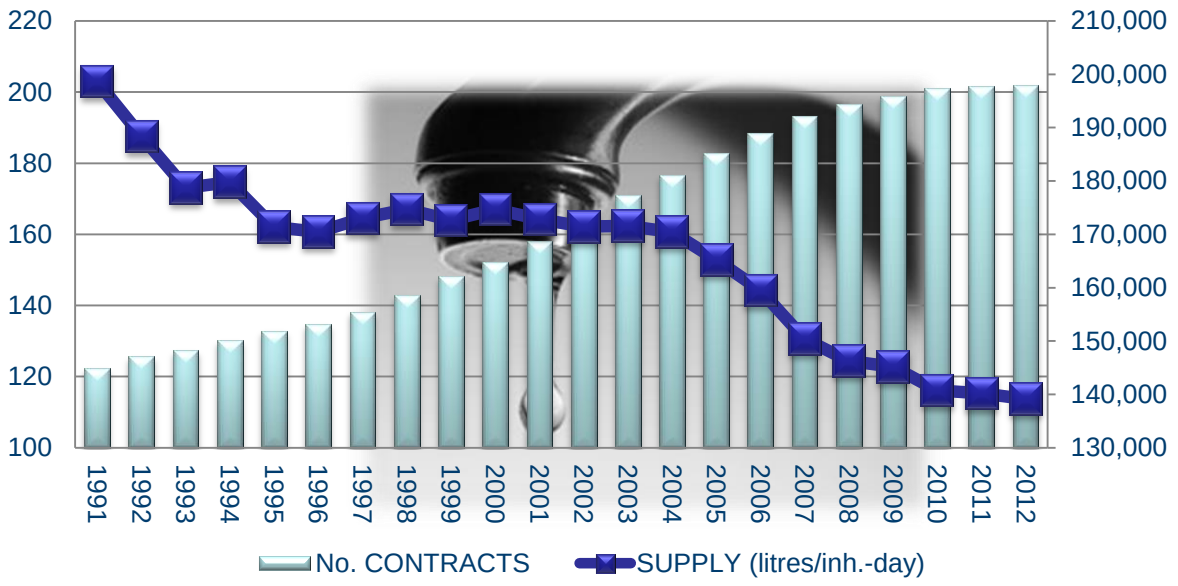
Case study: ALICANTE Mixed company
Water resources preservation

90% Network performance in Alicante

114 liters Water supplied per person and day

The improvement of the water supply efficiency and the responsible consumption have sharply reduced the use of resources

Water supply and population evolution (1991-2012)

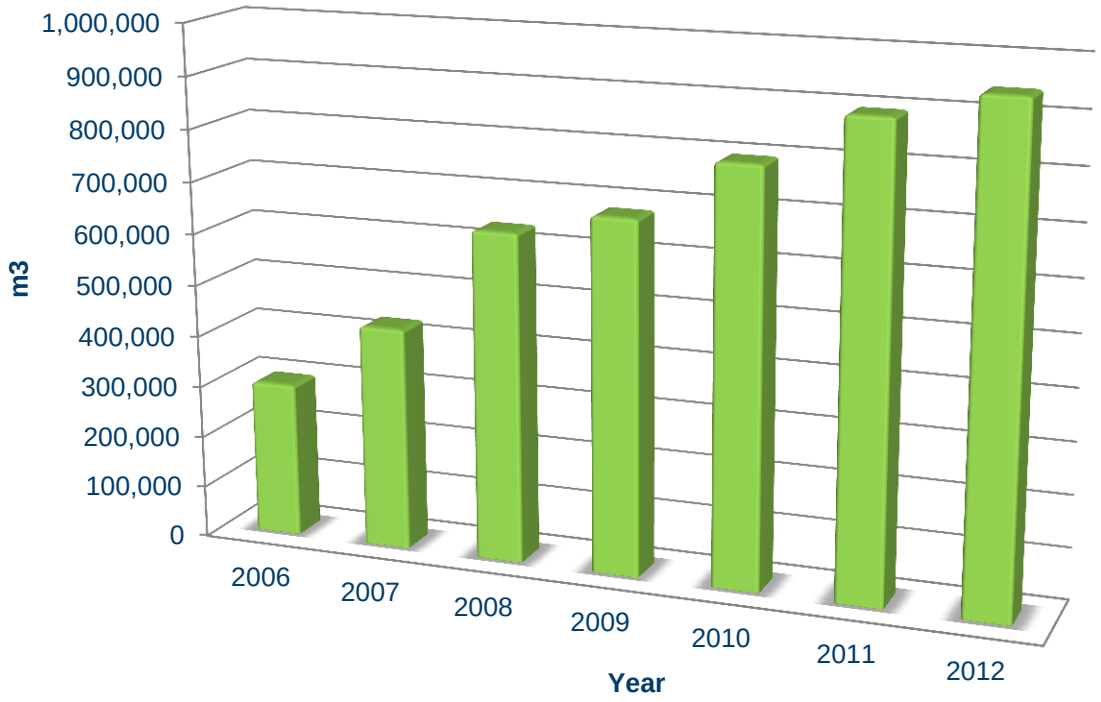


Case study: ALICANTE Mixed company
Waste water Reuse

- The Master Plan for Reused Water was approved in 2003
- Private users have access to reused water since 2004 (garden irrigation, golf courses)

The use of recycled water has tripled in 5 years

Evolution of reused water consumption in Alicante



70% of the city's green areas are irrigated with reused water

Case study: ALICANTE Mixed company
Environmental care

Coastal Water Monitoring

- The COWAMA (Coastal Water Management) system supervises the Bathing Water Quality
- Information is broadcasted in real time through:
  - Web site
  - Display screens by the beach
  - Smartphone app (iBeach)

70 Sensors monitor the pollution risk of receiving waters

Anti-Pollution Retention Tank

- The anti-pollution underground retention tank of San Gabriel retains the water of strong rains events.
- Water is gradually referred to the waste water treatment plant, allowing it to be treated and reused.

60.000 m^3 Retention tank capacity

The tank has prevented 95% of network overflow events

Case study: ALICANTE Mixed company
Environmental care

Energy Recovery from Waste Water Sludge

More than 24.000 Tons of CO_2 avoided

9.000 Tons Fuel savings

Case study: ALICANTE Mixed company

Research, development & Innovation

- Aguas de Alicante devotes special effort to Research & Development initiatives
- More than 50 R&D projects in the last 4 years
- Focus on:
  - Asset Management – Decision Support Tools for Network Renewal & Rehabilitation
  - Information & Communication Technologies
  - Leak detection & location
  - Energy optimization
  - Demand forecasting
  - Environmental solutions
  - Flood prediction and mitigation
  - Health & safety

Water & Society

- The Water Museum and other Educational Projects seek to raise social awareness
- Emphasis on communication to the citizens
  - Bathing water quality
  - Work on progress information
  - Service conditions
  - …

Gotagotham Educational Project 20.000 children

More than 50.000 visits to the Water Musem

CARTAGENA DE INDIAS COLOMBIA

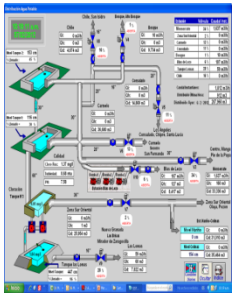
- Agbar was selected and teamed up with the Cartagena district authorities to create a 50:50 public/private company, Aguas de Cartagena.
- The administrative board consists of 5 members. Decisions require 80% to be taken. Two members will be designated and will be at the dismissal of the mayor's decree, one will be designated by the proposal of the shareholders in Class B, and two will be designated and at the dismissal of a representative from the shareholders in Class C.

AGUASDECARTAGENA
más que agua recibes VIDA

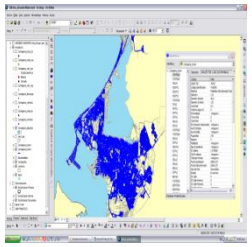
Shareholder Class A	Shareholder Class B	Shareholder Class C
District	Private Sector	Joint Operator
50%	4,09%	45,91%

Goals achieved 1995-2013

KEY INDICATORS	1995	2011
Water service connections	73%	99,91%
Sewage service connections	61%	87,75%
Water customers	92.572	218.258
Sewage customers	77.553	191.693
Water network (Km)	700	1.473
Sewage network (Km)	500	1.057
Supply service continuity	14 h	24 h
Water production capacity	165.000 m3/d	270.000 m3/d
Meters	77,2%	99,67%
Hydraulic performance of the network	48.8%	65.3%



SCADA



GIS


Agbar