



SAN ANTONIO WATER COMPANY

MEETING AGENDA

for

ADMINISTRATIVE & FINANCE COMMITTEE

May 24, 2022 @ 3pm

By Virtual/Online or Teleconference Only

Please join my meeting from your computer, tablet or smartphone.

<https://meet.goto.com/552121757>

You can also dial in using your phone.

United States: [+1 \(224\) 501-3412](tel:+12245013412)

Access Code: 552-121-757

- Call to Order

1. Recognitions and Presentations:

2. Additions-Deletions to the Agenda:

3. Public Comments

This is the time for any shareholder or member of the public to address the committee members on any topic under the jurisdiction of the Company, which is on or not on the agenda. Please note, pursuant to the Brown Act the Committee is prohibited from taking actions on items not listed on the agenda. For any testimony, speakers are requested to keep their comments to no more than four (4) minutes, including the use of any visual aids, and to do so in a focused and orderly manner. Anyone wishing to speak is requested to voluntarily fill out and submit a speaker's form to the manager prior to speaking.

4. Approval of Committee Meeting Minutes

Regular Committee Minutes of March 22, 2022.

5. Administrative and Financial Issues:

- A. Draft RFP for Legal Services
Review and authorize release of RFP for legal services
- B. Stock Auction – November 2022
Recommend approval of timeline for proposed stock auction

6. Closed Session: None

7. Committee Comments and Future Agenda Items:

- This is the time for committee's comments and consideration on future agenda items relative to the interests and business of the company and its shareholders.

8. Adjournment:

The next regular Administration and Finance Committee meeting will be held on June 28, 2022 at 3:00pm

NOTE: All agenda report items and back-up materials are available for review and/or acquisition from the Company Office (139 N. Euclid Avenue, Upland, CA.) during regular office hours, Monday through Thursday [8:00 – 11:30 and 12:30 – 4:00] and alternating Fridays [8:00 – 11:30 and 12:30 – 3:00]. The agenda is also available for review and copying at the City of Upland and Upland Public Library located at 450 N. Euclid Avenue.

POSTING STATEMENT: On May 19, 2022, a true and correct copy of this agenda was posted at the entry of the Water Company's office (139 N. Euclid Avenue), 460 N. Euclid Avenue (Upland City Hall), and on the Water Company's website.

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

March 22, 2022

An open meeting of the Administration and Finance Committee (AFC) of the San Antonio Water Company (SAWCo) was held virtually and called to order at 3:04 p.m. on the above date as noticed. Committee Members present were Martha Goss, Bob Cable, and Bill Velto. Also in attendance were, SAWCo's General Manager Brian Lee, Assistant General Manager Teri Layton, and Senior Administrative Specialist Kelly Mitchell.

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 Cable seconded to approve the meeting minutes of January 25, 2022. Motion carried unanimously.
5. Administrative and Financial Issues:
 - A. ***Property and Casualty Insurance Renewal*** – Mr. Lee reported staff met with the Company's broker the previous week. The figures provided for property insurance show a 5% increase in premiums. This increase is due in large part to facilities added over the last few years and increase in payroll for field staff. Wildfires and inverse condemnation have aided in creating a 17.5% increase to casualty insurance premiums.

Staff was previously tasked with taking the item out to bid but was unable to do so due to reduced staff last year. Staff has committed to take the item out to bid for 2023. Mr. Lee noted SAWCo's broker actively seeks out the lowest and best quality bid each year.

Director Velto expressed concern over the nearly 40% increase over the past three or four years unless there were claims filed. Mr. Lee advised no claims had been filed.

Director Goss questioned whether the figures were tied into the Worker's Compensation Insurance as those figures in recent years have been high. Mr. Lee advised the figures were not tied to Worker's Compensation. Ms. Layton stated Worker's Compensation Insurance renews on May 1st. Staff has not received figures as of yet but will hopefully bring those directly to the Board in April.

Director Cable moved and Director Velto seconded to approve the property and casualty insurance renewal as presented and recommend the Board ratify the approval with the caveat that staff will expand the search for next year's policy. Motion carried unanimously.

- B. ***Salary Table Adjustment*** – Mr. Lee stated this item is presented each year for consideration. Based on the Consumer Price Index (CPI), which measures changes in the price of consumer goods and services purchased by household and tracked by the Federal Bureau of Labor Statistics (BLS), companies can adjust wages to ensure employees' cost of living is not negatively impacted by inflation. For Riverside/San Bernardino/Ontario area the cost of living increased by 9.353%. Mr. Lee recommends adjusting SAWCo's salary tables upwards by 9.4%. Doing so does not automatically give each employee a raise, it simply shifts the salary table upwards by 9.4%. With SAWCo having two new employees this does

raise one employee's pay to bring them within the newly adjusted salary table, increasing the budget by \$707.

Director Velto moved and Director Cable seconded to recommend the Board approve adjusting the Company's salary table upwards by 9.4% based on the Riverside/San Bernardino/Ontario 'Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) change from January 2021 to January 2022. Motion carried unanimously.

6. Closed Session: None.
7. Committee Comments and Future Agenda Items: None.
8. Adjournment: Seeing no further business, the meeting was adjourned at 3:15 p.m.

Assistant Secretary
Brian Lee

Item Title: Legal Services Request for Proposals (RFP)

Purpose:

Review and Provide Input on draft legal services RFP.

Issue:

Company would like to bring on a new consulting firm to handle day-to-day legal issues.

Managers Recommendation:

Authorize staff to release the RFP

Background:

Thomas McPeters, Esq. has provided exceptional legal service to the Company for many years. His legal acumen is invaluable. It is vital to the Company's well-being that Mr. McPeters have ample opportunity to impart his experience to a new legal firm. To that end, staff has worked with McPeters to develop the attached RFP to hire a new legal consultant for day-to-day legal needs. Staff is anticipating that specialized legal service such as water law will remain the domain of McPeters and Nossaman, our current water rights legal firm.

For the foreseeable future, this new legal consultant will work with McPeters to learn the nuances of San Antonio Water Company. Staff intends to retain McPeters until he chooses to retire. Staff expects a significant increase in monthly legal billings for the next half a year or so while both firms work together on various legal issues. Fees will slowly decline as the new legal firm picks up the daily needs of the company and McPeters provides more specialized legal service.

it is important that we maintain continuity regarding legal support for this company.

Staff is searching for and soliciting recommendations for potential candidates to send the RFP too. Staff anticipates proposals being reviewed at the regular July AFC meeting. At that time the AFC can choose to invite select candidates for interviews. This item will be brought to the full Board when the AFC is ready to make a recommendation.

Previous Actions:

None

Impact on Budget:

Increase in future legal fees as current legal consultant teaches new consultant the ins-and-outs of a Mutual Water Company.



San Antonio Water Company

Incorporated October 25, 1882
Serving the original Ontario Colony lands

A REQUEST FOR PROPOSALS

TO PROVIDE CONSULTING SERVICES TO THE SAN ANTONIO WATER COMPANY

TITLE:

GENERAL LEGAL COUNSEL SERVICES

RESPONSE DUE BEFORE 3:00 PM

On JULY 12, 2022

Introduction

The San Antonio Water Company is soliciting proposals from qualified firms to provide general legal counsel services. The Company's seven-member Board is seeking proposals from qualified firms with a comprehensive understanding of mutual water companies, California business law and California water law. The initial term of the contract is anticipated to be three years.

General Information

In 1882 Canadians George and William Chaffey purchased 8,000-acres of the Cucamonga Rancho, including the water rights, and established an irrigation colony which they named Ontario, in honor of their homeland. On October 25, 1882 they also established the San Antonio Water Company under the General Corporation Laws of the United States. Ranchero water rights established back in the 1700's were transferred to the Company to support the newly established irrigation colony. The brother's vision was to develop a mutual water company whose members shared equally in the locally available water supply.

The brothers sold irrigation colony land in 10-acre blocks, primarily intended for the booming citrus industry. Along with the land, the brothers sold shares in the Company, one share for each purchased acre. Each shareholder was entitled to a portion of available local water, distributed equally by the company amongst all the shareholders. The Company was responsible for distributing water on a non-profit basis to the shareholders.

Since 1882 the San Antonio Water Company has consistently provided water service to its shareholders. Although the local citrus industry has largely disappeared, the Company maintains delivery to current shareholders utilizing the same successful 'per share' distribution plan established over 135 years ago.

The Company does not import any water. Instead, we are dependent on our local San Antonio Canyon and Cucamonga Canyon watersheds and downstream groundwater basins.

Currently, our shareholders include most residents of the unincorporated area of San Antonio Heights, the Cities of Upland and Ontario, the Monte Vista Water District, local quarries and the proud heritage of remaining grove irrigators.

Annual shareholder water entitlements are established based on projected availability. For 2022 full water entitlement was established at 13,000 Acre Feet (AF).

The Company provides water through two separate systems: domestic and irrigation.

The domestic system receives most of its water through the San Antonio tunnel. The domestic water system provides service to the San Antonio Heights, also known as our Basic Service Area. Consisting primarily of large residential lots, the Heights is an unincorporated area of San Bernardino County approximately 2.6 square miles in size located immediately north of the City of Upland. The Company provides water to individual residential lots through 1,200 domestic meters.

The irrigation system primarily receives water from surface water diversions in the San Antonio Canyon. Additional irrigation water is supplied through seven wells located in three groundwater basins; Cucamonga Basin, Six Basins and Chino Basin.

The irrigation system provides service to the Company's 'extended' service area. Shareholders in the extended service area include municipal and private companies. A majority of the distributed irrigation water is treated by municipal shareholders and then delivered to their customers as domestic water. The remaining irrigation water is used for farming, landscaping and commercial use (quarry).

Currently, the Company utilizes two legal consultants: Thomas McPeters, Esq. is the Company's General Counsel and Nossaman LLP is utilized for specialized water rights issues.

The Company intends to retain the services of both McPeters and Nossaman as special counsels to assist General Counsel in achieving a comprehensive understanding of the Company and its operation. It is expected that special counsels will work with and through General Counsel when providing service to the Company.

Project Scope of Services

Task 1 – General Services

Counsel shall provide overall legal contract management including administration and invoicing.

Counsel shall attend all regularly scheduled Board Meetings.

Counsel shall advise the Company regarding conduct of Company meetings, elections, and referendums. Counsel shall interpret laws, legislation, rulings, and regulations for the Company.

Counsel shall represent the Company in administrative and legal proceedings, providing litigation services as needed.

Counsel shall coordinate and manage the services and costs of outside legal counsel as assigned.

Task 2 – Board Services

Counsel shall advise the Board and General Manager on legal matters including, but not limited to:

- The Brown Act,
- Agenda Preparation,
- Parliamentary Procedures
- Ethics,
- Risk Avoidance,
- Legislative updates and information pertinent to the operation and functions of the Company
- Other Legal Compliance issues

Task 3 – Staff Services

Counsel shall advise the Board and General Manager on legal matters including, but not limited to:

- Corporate shareholder issues,
- Labor issues and employment law,
- Public Records Requests,
- Consulting Contract Review,
- Contractor Contract Review,
- Assist in revisions to the Company’s Bylaws, policies, and other Company documents.
- Easement, deeds, leases, and property management.

Task 4 – Specialized Services

Counsel shall assist special counsel in advising the Board and General Manager on legal matters including, but not limited to:

- Mutual Water Company issues,
- Water Rights and Permitting Issues,
- Conjunctive use and Storage Rights.
- Sustainable Groundwater Management Act (SGMA) and subsequent Groundwater Sustainability Agency (GSA),
- Interaction with Government Oversight Agencies (NOAA, Dept. of Water Resources, Fish and Wildlife, CEQA, etc.).
- Interaction with Neighboring agencies (Chino Basin Watermaster, Six Basin Watermaster, Cucamonga Basin Watermaster, Inland Empire Utility Agency, etc.)

Schedule

The Company anticipates the following timeline and key milestones for award of the project:

Proposal Due Date	July 12, 2022
Administrative and Finance Committee (AFC) Review	July 26, 2022
Interview	TBD – If necessary
Board of Director’s Approval	August 16, 2022
Consultant’s Notification	August 17, 2022

Proposal Requirements

The proposal shall not exceed 15 pages excluding resumes, cover letter, dividers, front, and back covers. Responses to this RFP shall be in the following order and shall include:

1. Executive Summary (2 pages maximum)

Summarize the contents of your firm's proposal in a clear and concise manner.

2. Firm Description (3 pages maximum)

Describe the nature of your law firm's practice and your qualifications for providing general legal services for the Company.

3. Identification of Prime Counsel (4 pages maximum per individual, excluded from proposal page maximum)

Provide a professional resume of the individual who will be designated to serve as primary legal counsel as well as for others who you anticipate will be involved in providing legal services to the Company. For each person whom you propose to designate as prime, deputy or supporting counsel provide the following:

- Legal training and years of practice (including date of admission to the California Bar)
- Years of mutual, non-profit, municipal or other local law practice as full-time attorney.
- Knowledge of and experience with California mutual water companies, special districts, water law and codes and other non-profit or public sector experience.
- Litigation experience and demonstration of good track record.

4. Identification of General Counsel Expertise (5 pages maximum)

Provide demonstrated legal expertise in the following areas as it relates to mutual water companies or public agencies:

- Laws and regulations governing California mutual water companies, special districts, and operating procedures relative to the conduct of company business.
- Experience and knowledge of Contracting Code, Labor Code and other California statutes governing the bidding, awarding, contracting and construction.
- Environmental law including California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA).
- Contracts, Joint Powers Authorities, Memorandums of Understanding including risk transfer provisions.
- Preparation and review of ordinances and resolutions
- Real estate law, easements, right-of-way and other related agreements and negotiations.

- California Public Records Request Act and Ralph M Brown Act.
- Law pertaining to mutual water company fees and taxes.
- Other relevant areas pertaining to mutual water companies, special districts, water district or municipal law.

5. Experience and Past Performance (3 pages max / 3 firms max)

Include a summary of experience and performance for similar agencies. Include the following information:

- Owner, contact name and phone number
- Agency size and description
- Agency budget
- Total term of relationship with Agency

6. Firm's Local Experience (1 page maximum)

Describe the firm's experience and knowledge with the County of San Bernardino. Include a commitment of availability to attendance at Company meetings.

7. Conflict of Interest / Ethics (1 page maximum)

It is the desire of the Company to hire a law firm that does not frequently have to recuse itself from issues due to conflict of interest or concerns. Please address this issue. Also, provide a statement identifying any potential conflicts of interest with other clients or interests in the firm.

The firm should identify and disclose any business relationship, direct or indirect, with any of the neighboring agencies, cities, or special districts.

Identify any past malpractice complaints or suits, complaints filed with the State Bar or discipline imposed by the State Bar.

8. Proposed Total Professional Fee and Fee Schedules Submitted Under Separate Sealed Cover

Compensation shall be shown as an hourly rate by description/type of service and by person as well as any costs that are chargeable under the terms of agreement.

All billings for legal services will be subject to audit and review at any time.

Exceptions to this RFP

The Consultant shall certify that it takes no exceptions to this RFP including, but not limited to, the Professional Service Agreement (attached).

Selection Process and Schedule

Key senior staff and select Company Directors will independently review and rank each proposal. Based on an aggregate of those reviews, the Company may enter directly into negotiations with the top ranked firm. Alternatively, interviews may be scheduled.

At this time, the Company contemplates the use of a Time-and-Material contract for the services requested. Negotiations will cover scope of work, contract terms and conditions, attendance requirements, and appropriateness of the proposed fee.

After negotiating a proposed agreement that is fair and reasonable the General Manager will present the contract to the Company's Board for authorization to execute a contract with the most responsive firm.

Related Documents

The following documents are attached for reference:

- Company Bylaws
- 2021 Annual Report and Audit
- 2022 Budget

Interested proposers should immediately contact the Company to register for inclusion on the project distribution list. Revisions or supplemental information to this RFP will be issued through addenda by email and posted on the Company's website. Proposers are responsible for receipt of any and all addenda.

Submittal Requirements

One (1) executed original marked "ORIGINAL" in red ink and 6 copies of the Proposal shall be delivered, along with one electronic copy in PDF format on thumb drive. One single sealed Proposed Fee Estimate marked "FEE ESTIMATE – 2022 Legal Services" in red ink shall be submitted separate from the proposal. Proposals will not be accepted in any other format. Proposals will not be accepted by email, fax or verbally. The proposal shall be signed by an individual, partner, officer or officers authorized to execute legal documents on behalf of the Firm.

The Response Proposal must be received no later than **3:00 p.m.** local time, on or before **July 12th, 2022** at the office of:

PROPOSAL – 2022 Legal Services
San Antonio Canyon Water Company
139 North Euclid Avenue
Upland, CA 91786
Attn: Brian Lee

Failure to comply with the requirements of this RFP may result in disqualification. Questions regarding this RFP shall be submitted in writing to blee@sawaterco.com.

**AMENDED AND RESTATED BYLAWS
OF
SAN ANTONIO WATER COMPANY**

ARTICLE I

Purpose and Office

Section 1.01 Purpose. As stated and provided in its Articles of Incorporation, the purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business, or the practice of a profession permitted to be incorporated by the California Corporations Code.

The specific purpose of the corporation is to develop, distribute, supply, and deliver water to its shareholders for irrigation, domestic, and all other useful purposes, in proportion to the number of shares of stock held by them respectively, at actual cost, and is not organized for the private gain of any person.

Section 1.02 Principal Office. The Board of Directors shall fix the location of the principal executive office of the Corporation at any place within or outside the State of California. If the principal executive office is located outside this state, and the Corporation has one or more business offices in this state, the Board of Directors shall fix and designate a principal office in the State of California.

Section 1.03 Other Offices. The Board of Directors may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to do business.

ARTICLE II

Meetings of Shareholders

Section 2.01 Place of Meetings. Meetings of Shareholders shall be held at any place within or outside the State of California designated by resolution of the Board of Directors. In the absence of any such designation, Shareholders' meetings shall be held at such place as may be designated in the notice of the

meeting, or if no such place is designated, then at the principal executive office of the Corporation.

Section 2.02 Annual Meetings. The annual meeting of Shareholders shall be held each year on a date and at a time designated by the Board of Directors. At each annual meeting Directors shall be elected, and any other proper business may be transacted.

Section 2.03 Special Meetings. A special meeting of the Shareholders may be called at any time by the Board of Directors, or by the President, or by one or more Shareholders holding shares in the aggregate entitled to cast not less than 20% of the votes at that meeting.

If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the time of such meeting, the place of such meeting, and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the Secretary of the Corporation. The Officer receiving the request shall cause notice to be promptly given to the Shareholders entitled to vote, in accordance with the provisions of Sections 2.04 and 2.05, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.03 shall be construed as limiting, fixing, or affecting the time when or the place where a meeting of Shareholders called by action of the Board of Directors may be held.

Section 2.04 Notice of Shareholders' Meetings. All notices of meetings of Shareholders shall be sent or otherwise given in accordance with Section 2.05 not less than ten (10), or if sent by third class mail thirty (30), nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Shareholders. The notice of any meeting at which Directors are to be elected shall include the name of any nominee or nominees whom, at the time of the notice, management intends to present for election.

If action is proposed to be taken at any meeting for approval of (i) a contract or transaction in which a Director has a direct or indirect financial interest,

pursuant to Section 310 of the Corporations Code of California, (ii) an amendment of the Articles of Incorporation, pursuant to section 902 of that Code, (iii) a reorganization of the Corporation, pursuant to Section 1201 of that Code, (iv) a voluntary dissolution of the Corporation, pursuant to Section 1900 of that Code, or (v) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall also state the general nature of that proposal.

Section 2.05 Manner of Giving Notice; Affidavit of Notice. Notice of any meeting of Shareholders shall be given either personally or by first class mail (or, if the Corporation shall have outstanding shares held of record by 500 or more persons on the record date, notice may be sent by third class mail) or telegraphic or other written communication, charges prepaid, addressed to the Shareholder at the address of that Shareholder appearing on the books of the Corporation or given by the Shareholder to the Corporation for the purpose of notice. If no such address appears on the Corporation's books or is given, notice shall be deemed to have been given if sent to that Shareholder by first class mail or telegraphic or other written communication to the Corporation's principal executive office, or if published at least once in the newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a Shareholder at the address of that Shareholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Shareholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the Shareholder on written demand of the Shareholder at the principal executive office of the Corporation for a period of one year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any Shareholder's meeting shall be executed by the Secretary, Assistant Secretary, or any transfer agent of the Corporation giving the notice, and shall be filed and maintained in the minute book of the Corporation.

Section 2.06 Quorum. The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of Shareholders shall constitute a quorum for the transaction of business. The Shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken, other than

adjournment, is approved by at least a majority of the shares required to constitute a quorum.

Section 2.07 Adjourned Meeting; Notice. Any Shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in section 2.06.

When any meeting of Shareholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the Board of Directors shall set a new record date. Notice of any such adjourned meeting shall be given to each Shareholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 2.04 and 2.05. At any adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

Section 2.08 Voting. The Shareholders entitled to vote at any meeting of Shareholders shall be determined in accordance with the provisions of Section 2.11, subject to the Corporations Code of California (relating to voting shares held by a fiduciary, in the name of a Corporation, or in joint ownership). The Shareholder's vote may be by voice vote or by ballot; provided, however, that any election for Directors must be by ballot if demanded by any Shareholder before the voting has begun. Except as provided in Section 2.06, the affirmative vote of a majority of the shares represented and voting at a duly held meeting at which a quorum is present (which shares voting affirmatively also constitute at least a majority of the required quorum) shall be the act of the Shareholders, unless the vote of a greater number or voting by classes is required by the California General Corporation Law, by the Articles of Incorporation, or by the Bylaws.

At a Shareholders' meeting at which Directors are to be elected, Shareholders may vote for one or more directors but shall not be entitled to cumulate votes, i.e. cast for any candidate a number of votes greater than the number of votes which such Shareholder normally is entitled to cast, and cumulative voting shall not be allowed in an election of directors.

Section 2.09 Waiver of Notice or Consent by Absent Shareholders. The transactions of any meeting of Shareholders, either annual or special, however

called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting, or an approval of the minutes. Any waiver of notice, consent to the holding of a meeting, or approval of the minutes thereof, need not specify either the business to be transacted at or the purpose of any annual or special meeting of Shareholders, except that if action is taken or proposed to be taken for approval of any of those matters specified in the second paragraph of Section 2.04, the waiver of notice, consent, or approval shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of and presence at such a meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

Section 2.10 Shareholder Action by Written Consent Without a Meeting.

Any action which may be taken at any annual or special meeting of Shareholders may be taken without a meeting and without prior notice, if a consent in writing setting forth the action so taken is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted. In the case of approval of (i) contracts or transactions in which a Director has a direct or indirect financial interest, pursuant to Section 310 of the Corporations Code of California, (ii) indemnifications of agents of the Corporation, pursuant to Section 317 of that Code, (iii) a reorganization of the Corporation, pursuant to Section 1201 of that Code, and (iv) a distribution in dissolution other than in accordance with the rights of outstanding preferred shares, pursuant to Section 2007 of that Code, the notice shall be given at least ten (10) days before the consummation of any action authorized by that approval.

Section 2.11 Record Date for Shareholder Notice, Voting, and Giving Consents. For purposes of determining the Shareholders entitled to notice of any meeting or to vote or entitled to give consent to corporate action without a meeting, the Board of Directors may fix, in advance, a record date, which shall not be more that sixty (60) days nor less than (10) days before the date of any such meeting nor more than sixty (60) days before any such action without a meeting, and in this event only Shareholders of record at the close of business

on the date so fixed are entitled to notice and to vote or give consents, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided in the California General Corporation Law.

If the Board of Directors does not fix a record date:

a) The record date for determining Shareholders entitled to notice of or to vote at a meeting of Shareholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

b) The record date for determining Shareholders entitled to give consent to corporate action in writing without a meeting, (i) when no prior action by the Board has been taken, shall be the day on which the first written consent is given, or (ii) when prior action of the Board has been taken, shall be at the close of business on the day on which the Board adopts the resolution relating to that action, or the sixtieth (60th) day before the date of such other action, whichever is later.

Section 2.12 Proxies. Every person entitled to vote for Directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary of the Corporation. A proxy shall be deemed signed if the Shareholder's name is placed on the proxy, whether by manual signature, typewriting, telegraphic transmission, or otherwise, by the Shareholder or the Shareholder's attorney in fact.

A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Corporation stating that the proxy is revoked, or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting, or as to any meeting by attendance at such meeting and voting in person by the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Sections 705(e) and 705(f) of the Corporations Code of California.

Section 2.13 Inspectors of Election. Before any meeting of Shareholders, the Board of Directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the chairman of the meeting may, and on the request of any Shareholder or a Shareholder's proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one (1) or three (3). If inspectors are appointed at a meeting on the request of one or more Shareholders or proxies, the holders of a majority of shares or their proxies present at the meeting shall determine whether one (1) or three (3) inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chairman of the meeting may, and upon the request of any Shareholder or a Shareholder's proxy shall, appoint a person to fill that vacancy.

These inspectors shall:

- a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;
- b) Receive votes, ballots, or consents;
- c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;
- d) Count and tabulate all votes or consents;
- e) Determine when the polls shall close;
- f) Determine the result; and
- g) Do any other acts that may be proper to conduct the election or vote with fairness to all Shareholders.

ARTICLE III

Directors

Section 3.01 Powers. Subject to the provisions of the California General Corporation Law and any limitations in the Articles of Incorporation and these Bylaws relating to action required to be approved by the Shareholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

Without prejudice to these general powers, and subject to the same limitations, the Directors shall have the power to:

a) Select and remove all Officers, agents, and employees of the Corporation; prescribe any powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws; fix their compensation; and require from them security for faithful service.

b) Change the principal executive office or the principal business office in the State of California from one location to another; cause the Corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or without the State of California; and designate any place within or without the State of California for the holding of any Shareholders' meeting, or meetings, including annual meetings.

c) Adopt, make, and use a corporate seal; prescribe the forms of certificates of stock; and alter the form of the seal and certificates.

d) Authorize the issuance of shares of stock of the Corporation on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities canceled, or tangible or intangible property actually received.

e) Borrow money and incur indebtedness on behalf of the Corporation, and cause to be executed and delivered for Corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

f) Dismiss any employee (whether regular or temporary) and terminate his employment, regardless of the period of employment, whether express or implied, without liability to the Corporation, other than for compensation for services actually performed to the time of dismissal and prorated, if that be necessary, at the rates provided for in the contract, or otherwise agreed upon or payable; and regardless of whether so stated in the contract or at the time of hiring, the power of the Board of Directors to dismiss an employee as herein provided shall be deemed a part of every employment and every contract of employment, whether such contract of employment be written or oral; and no officer, superintendent, or other representative of the Corporation shall have any authority to employ any person other than upon and subject to the right of the Board to terminate the employment at any time, without liability resulting therefrom; provided, further, the Board shall have power to waive such right of dismissal in any hiring for a period of not in excess of one year when the

contract is in writing and shall have been expressly authorized by resolution of the Board.

g) Delegate to any superintendent or other employee or agent of the Corporation the enforcement of the rules and regulations of the Corporation, and the determination of all matters of a ministerial nature.

h) The board shall have the power to fix, and from time to time change, the charges or tolls payable for water furnished, or other service rendered; and to levy, collect and enforce assessments against the shares of stock.

It shall lie within the power of the board of directors to determine what part of the revenue of the company shall be raised by assessments and what part by tolls or rates, and what amount or items shall be charged to current operating expense and what to permanent additions or betterments.

i) The board shall have power to provide the time when tolls, charges and accounts shall be due and when delinquent, and for the payment of interest on past due tolls, charges and accounts at a rate not exceeding the highest permitted under applicable law.

j) The board may provide for the imposition and enforcement of a penalty for violation of the rules and regulations of the company, not exceeding in any instance the sum of One Hundred Dollars (\$100.00).

k) The board may provide for the suspension of water service and for discontinuance of water delivery for violation of the rules and regulations, or for failure to pay any charges, tolls, assessments, costs, interest, penalties or other sums payable to the Company, and the time when and the conditions upon which such delivery or service shall be resumed.

l) The board may provide for, determine and fix the location and installation of the measuring gates, hydrants, weirs, and meters for turning out or measuring the water to which the respective shareholders may be entitled, and may provide that no gate, hydrant, weir or meter shall be installed or changed without the consent and approval of the board, and that each such gate, hydrant, weir or meter shall be installed and/or maintained at the expense of the shareholder or shareholders using or supplied through the same. Any such appliance shall be under the control of the company, and be deemed a part of the company's distributing system.

No shareholder, by virtue of the ownership of shares, shall be entitled to connect with the distributing system used by the company for delivery of water, or to take water therefrom except with the consent and upon and subject to the rules and regulations of the company pertaining thereto, and the company reserves and shall have full control over all storing, distributing, measuring and diversion appliances, and over all water until it shall have been actually released or delivered to the shareholder.

m) The board shall have the power to provide, determine and fix, at such time or times and in such manner as the board shall determine, and to change, any or all of the following with respect to delivery of water, to-wit:

(1) The amount of water available for distribution to the shareholders, and the amount apportioned for and to be delivered to each share for any season, year or period of time. In making such determination the board shall take into consideration all factors by them deemed relevant, and their determination, in good faith, shall be conclusive upon each and every shareholder;

(2) The time when delivery shall begin and end each season or year;

(3) The times during the season when delivery is to be made, and for delivery in heads upon recurring periods, and the amount delivered at any time, and the minimum and maximum number of shares in respect of which delivery will be made at one place or at one time;

(4) The notice required for and conditions under which delivery is to be made;

(5) That any shareholder not taking the water allotted to his shares at the time provided therefor shall forfeit or lose his right to the delivery of that water.

(n) The board may provide and determine the place or places where, and the points to which, the water distributing system, or any other system, service, or appliances of the company shall be located or extended. The holding of shares of the company shall confer no right upon the shareholder to have any pipe lines, water conduit, or other appliance of the company enlarged or extended without the consent of the board of directors; and the board shall at all times, be the exclusive judge of the necessity and expediency of constructing, enlarging, changing and extending of the water distribution system or other appliances of

the company and such expediency and necessity shall, at all times, be determined by and subject to the sole and uncontrolled discretion of the board.

Section 3.02 Number and Qualification of Directors. The authorized number of Directors shall be seven (7) until changed by a duly adopted amendment to the Articles of Incorporation or by an amendment to this Bylaw adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that an amendment reducing the number of Directors to a number less than five (5) cannot be adopted if the votes cast against its adoption at a meeting, or the shares not consenting in the case of action by written consent, are equal to more than 16-2/3% of the outstanding shares entitled to vote.

Section 3.03 Election and Term of Office of Directors. Directors shall be divided into two (2) classes. Class 1 shall consist of four (4) Directors, who shall serve an initial term of four (4) years, and thereafter a term of four (4) years. Class 2 Directors shall consist of three (3) Directors, who shall serve an initial term of two (2) years, and thereafter a term of four (4) years. Election of Directors shall be held at the annual meeting occurring every two (2) years, commencing with the annual meeting to be held in 2013. Each Director, including a Director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected. There shall be no limit on the number of terms that a duly elected Director can serve.

Section 3.04 Vacancies. Vacancies in the Board of Directors may be filled by a majority of the remaining Directors though less than a quorum, or by a sole remaining Director, except that a vacancy created by the removal of a Director by the vote or written consent of the Shareholders or by court order may be filled by the Shareholders only in a manner specified in the California General Corporation Law. Each Director so elected shall hold office until the next annual meeting of the Shareholders and until a successor has been elected and qualified.

A vacancy or vacancies on the Board of Directors shall be deemed to exist in the event of the death, resignation, or removal of any Director, or if the Board of Directors by resolution declares vacant the office of a Director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of Directors is increased, or if the Shareholders fail, at any meeting of Shareholder at which any Director or Directors are elected, to elect the number of Directors to be voted for at that meeting.

The Shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors in the manner provided for

elsewhere in these Bylaws. Any Director may resign effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a Director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

Section 3.05 Place of Meetings and Meetings by Telephone. Regular meetings of the Board of Directors may be held at any place within or outside the State of California that has been designated from time to time by resolution of the Board. In the absence of such a designation, regular meetings shall be held at any place designated in the notice of the meeting, or if there is no notice, at the principal executive office of the Corporation. Special meetings of the Board shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice or there is no notice, at the principal executive office of the Corporation. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another and all such Directors shall be deemed to be present in person at the meeting.

Section 3.06 Annual Meeting. Immediately following each annual meeting of Shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, any desired election of Officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 3.07 Other Regular Meetings. Other regular meetings of the Board of Directors shall be held without call at such time as shall from time to time be fixed by the Board of Directors. Such regular meetings may be held without notice.

Section 3.08 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President or any Vice President or the Secretary or any two Directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each Director or sent by first class mail, mailgram, or telegram, charges prepaid, addressed to each Director at that Director's address as it is shown on the records of the Corporation. In case the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally, or by

telephone or mailgram, or telegram it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Director or to a person at the office of the Director who the person giving the notice has reason to believe will promptly communicate it to the Director. The notice need not specify the purpose of the meeting nor the place if the meeting is to be held at the principal executive office of the Corporation.

Section 3.09 Quorum. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 3.11. Every act or decision done or made by a majority of the Directors present shall be regarded as the act of the Board of Directors, subject to the provisions of Section 310 of the Corporations Code of California as to approval of contracts or transactions in which a Director has a direct or indirect material financial interest, Section 311 of that Code as to appointment of committees, and Section 317(e) of that Code as to indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 3.10 Waiver of Notice. The transactions of any meeting of the Board of Directors, however called or noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice of consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement, the lack of notice to that Director.

Section 3.11 Adjournment. A majority of the Directors present whether or not constituting a quorum may adjourn any meeting to another time and place.

Section 3.12 Notice of Adjournment. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, in the manner specified in Section 3.08, to the Directors who were not present at the time of the adjournment.

Section 3.13 Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

Section 3.14 Fees and Compensation of Directors. Directors and members of the committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the Board of Directors. This Section 3.14 shall not be construed to preclude any Director from serving the Corporation in any other capacity as an Officer, agent, employee, or otherwise, and receiving compensation for those services.

Section 3.15 Manifestation of Dissent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation promptly after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

ARTICLE IV

Committees

Section 4.01 Committees of Directors. The Board of Directors may, by resolution adopted by a majority of the authorized number of Directors, designate one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of Directors. Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to:

(a) the approval of any action which, under the General Corporation Law of California, also requires Shareholders' approval or approval of the outstanding shares;

(b) the filling of vacancies on the Board of Directors or in any committee;

(c) the fixing of compensation of the Directors for serving on the Board or any committee;

(d) the amendment or repeal of Bylaws or the adoption of new Bylaws;

(e) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

(f) a distribution to the Shareholders of the Corporation, except at a rate or in a periodic amount or within a price range determined by the Board of Directors; or

(g) the appointment of any other committees of the Board of Directors or the members of these committees.

Section 4.02 Meetings and Action of Committees. Meeting and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Section 3.05 regarding place of meetings, Section 3.08 regarding special meetings and notice, Section 3.09 regarding quorum, Section 3.10 regarding waiver of notice, Section 3.11 regarding adjournment, Section 3.12 regarding notice of adjournment, and Section 3.13 regarding action without meeting, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members being implied, except that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors, and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

Officers

Section 5.01 Officers. The Officers of the Corporation shall be a President, a Secretary, and a Chief Financial Officer. The Corporation may also have, at the discretion of the Board of Directors, one or more Vice Presidents, one or more Assistant Secretaries, one or more assistant Financial Officers, and such other Officers as may be appointed in accordance with the provisions of Section 5.03. Any number of offices may be held by the same person.

Section 5.02 Election of Officers. The Officers of the Corporation, except such Officers as may be appointed in accordance with the provisions of Section

5.03 or 5.05, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the right, if any, of an Officer under any written contract of employment.

Section 5.03 Subordinate Officers. The Board of Directors may appoint, and may empower the President to appoint, such other Officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 5.04 Removal and Resignation of Officers. Subject to the rights, if any, of an Officer under any written contract of employment, any Officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting of the Board, or, except in case of an Officer chosen by the Board of Directors, by any Officer upon whom such power of removal may be conferred by the Board of Directors.

Any Officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the Officer is a party.

Section 5.05 Vacancies in Offices. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

Section 5.06 General Manager. The General Manager shall be the Chief Executive Officer of the Corporation and shall, subject to the control of the Board of Directors, and the general supervision of the President, have general supervision, direction and control of the business.

Section 5.07 President. The President shall have general supervision of the Officers of the Corporation. He shall preside at all meetings of the Shareholders and, at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the office of President of a Corporation other than as vested in other Officers, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

Section 5.08 Vice Presidents. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors,

or, if not ranked, a Vice President designated by the President, shall perform all duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, the Bylaws, and the President.

Section 5.09 Secretary. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of Directors, committees of Directors, and Shareholders, with the time and place of holding, the notice given, whether regular or special, and, if special, how authorized, the names of those present at Directors' meetings or committee meetings, the number of shares present or represented at Shareholders' meetings, and the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, as determined by the Board of Directors, a share register, or a duplicate share register, showing the names of all Shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the Shareholders and of the Board of Directors required by law or by the Bylaws to be given, and the Secretary shall keep the seal of the Corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 5.10 Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any Director.

The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, and an account of all of his transactions as Chief Financial Officer and of the financial condition of the

Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

Section 5.11 Reimbursement of Disallowed Payments. Any payments made to an Officer, Director, or employee of the Corporation, including without limitation salary payments, commissions, bonuses, interest payments, or reimbursements for business or entertainment expenses incurred by him, that shall be disallowed for federal or state income tax purposes in whole or in part as a deductible expense of the Corporation, shall be reimbursed to the Corporation by such Officer, Director, or employee to the full extent of the disallowance within ninety (90) days after the Corporation has been notified of the disallowed amount. It shall be the duty of the Board of Directors to enforce payment of each amount disallowed. In lieu of payment by the Officer, Director, or employee, the Board of Directors of the Corporation may withhold up to fifty percent (50%) of any future salary payments or other payments due such Officer, Director, or employee until the amount owed the Corporation has been recovered.

Article VI

Indemnification of Directors, Officers, Employees, and other Agents

Section 6.01 Agents, Proceedings, and Expenses. For the purpose of this Article, “agent” means any person who is or was a Director, Officer, employee, or other agent of this Corporation, or is or was serving at the request of this Corporation as a Director, Officer, employee, or agent of another foreign or domestic Corporation, partnership, joint venture, trust or other enterprise, or was a Director, Officer, employee, or agent of a foreign or domestic Corporation which was a predecessor Corporation of this Corporation or of another enterprise at the request of such predecessor Corporation; “proceeding” means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative, or investigative; and “expenses” included, without limitation, attorneys’ fees and any expenses of establishing a right to indemnification under Section 6.04 or 6.05 (c).

Section 6.02 Actions Other than by the Corporation. This Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding, other than an action by or in the right of this Corporation to procure judgment in its favor, by reason of the fact that such person is or was an agent of this Corporation, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding if that person acted in good faith and in a manner that person reasonably believed to be in the best interests of this Corporation and, in the case of a criminal proceeding, had no reasonable cause

to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of this Corporation or that the person had reasonable cause to believe that his conduct was unlawful.

Section 6.03 Actions by the Corporation. This Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of this Corporation to procure a judgment in its favor by reason of the fact that person is or was an agent of this Corporation, against expenses actually and reasonably incurred by that person in connection with the defense or settlement of that action if that person acted in good faith, in a manner that person believed to be in the best interests of this Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

No indemnification shall be made under this Section 6.03:

(a) in respect of any claim, issue or matter as to which that person shall have been adjudged to be liable to this Corporation in the performance of that person's duty to this Corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for the expenses which the court shall determine;

(b) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(c) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

Section 6.04 Successful Defense by Agent. To the extent that an agent of this Corporation has been successful on the merits in defense of any proceeding referred to in Sections 6.02 or 6.03, or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

Section 6.05 Required Approval. Except as provided in Section 6.04, any indemnification under this Article shall be made by this Corporation only if authorized in the specific case on a determination that indemnification of the

agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Sections 6.02 or 6.03, by:

(a) A majority vote of a quorum consisting of Directors who are not parties to the proceeding;

(b) Approval by the affirmative vote of a majority of the shares of this Corporation entitled to vote represented at a duly held meeting at which a quorum is present or by the written consent of holders of a majority of the outstanding shares entitled to vote. For this purpose, the shares owned by the person to be indemnified shall not be considered outstanding or entitled to vote thereon; or

(c) The court in which the proceeding is or was pending, on application made by this Corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by this Corporation.

Section 6.06 Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by this Corporation before the final disposition of the proceeding on receipt of any undertaking by or on behalf of the agent to repay the amount of the advance unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

Section 6.07 Other Contractual Rights. Nothing contained in this Article shall affect any right to indemnification to which persons other than Directors and Officers of this Corporation or any subsidiary hereof may be entitled by contract or otherwise.

Section 6.08 Limitations. No indemnification or advance shall be made under this Article, except as provided in Section 6.04 or 6.05 (c), in any circumstances where it appears:

(a) That it would be inconsistent with a provision of the articles, a resolution of the Shareholders, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 6.09 Insurance. Upon and in the event of a determination by the Board of Directors of this Corporation to purchase such insurance, this Corporation shall purchase and maintain insurance on behalf of any agent of the Corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not this Corporation would have the power to indemnify the agent against that liability under the provisions of this section.

Section 6.10 Fiduciaries of Corporate Employee Benefit Plan. Except as provided in this section, this Article does not apply to any proceeding against any trustee, investment manager, or other fiduciary of an employee benefit plan or trust in that person's capacity as such, even though that person may also be an agent of the Corporation as defined in Section 6.01 Upon and in the event of a determination by the Board of Directors of this Corporation to so indemnify, this Corporation shall indemnify such a trustee, investment manager, or other fiduciary to the maximum extent permitted by law. Nothing contained in this Article shall limit any right to indemnification to which such a trustee, investment manager, or other fiduciary may be entitled by contract or otherwise, which shall be enforceable to the extent permitted by applicable law other than this Article.

Upon and in the event of a determination by the Board of Directors of this Corporation to purchase such insurance, this Corporation shall purchase and maintain insurance on behalf of any trustee, investment manager, or other fiduciary of an employee benefit plan or trust in that person's capacity as such, against any liability asserted against or incurred by the trustee investment manager, or other fiduciary in such capacity or arising out of the trustee, investment advisor, or other fiduciary's status as such, whether or not this Corporation would have the power to indemnify such fiduciary against that liability under the provisions of this section.

Article VII

Records and Reports

Section 7.01 Maintenance and Inspection of Share Register. The Corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, a record of its Shareholders, giving the names and addresses of all Shareholders and the number and class of shares held by each Shareholder.

A Shareholder or Shareholders of the Corporation holding at least five percent (5%) in the aggregate of the outstanding voting shares of the Corporation may (i) inspect and copy the records of Shareholders' names and addresses and shareholdings during usual business hours on five (5) days prior written demand

on the Corporation, and (ii) obtain from the transfer agent of the Corporation, on written demand and on the tender of such transfer agent's usual charges for such list, a list of the names and addresses of Shareholders who are entitled to vote for the election of Directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the Shareholder after the date of demand. This list shall be made available to any such Shareholder, by the transfer agent on or before the later of five (5) days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled. The record of Shareholders shall also be open to inspection on the written demand of any Shareholder or holder of a voting trust certificate at any time during usual business hours for a purpose reasonably related to the holder's interest as a Shareholder or as the holder of a voting trust certificate. Any inspection and copying under this section 7.01 may be made in person or by an agent or attorney of the Shareholder or holder of a voting trust certificate making the demand.

Section 7.02 Maintenance and Inspection of Bylaws. The Corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the Bylaws, as amended to date, which shall be open to inspection by the Shareholders at all reasonable times during office hours. If the principal executive office of the Corporation is outside the State of California and the Corporation has no principal business office in this state, the Secretary shall, upon the written request of any Shareholder, furnish to that Shareholder a copy of the Bylaws as amended to date.

Section 7.03 Maintenance and Inspection of other Corporate Records. The accounting books and records and minutes of proceedings of the Shareholders, the Board of Directors, and any committee or committees of the Board of Directors shall be kept at such place or places designated by the Board of Directors or, in the absence of such designation, at the principal executive office of the Corporation. The minutes shall be kept in written form, and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon written demand of any Shareholder or holder of a voting trust certificate at any reasonable time during usual business hours for a purpose reasonably related to the holder's interests as a Shareholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary corporation of the Corporation.

Section 7.04 Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of

every kind and the physical properties of the Corporation and each of its subsidiary corporations. This inspection by a Director may be made in person, or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 7.05 Annual Reports to Shareholders. The annual report to Shareholders referred to in Section 1501 of the Corporations Code of California is expressly dispensed with so long as the Corporation has less than 100 holders of record of its shares, but nothing herein shall be interpreted as prohibiting the Board of Directors from issuing annual or other periodic reports to the Shareholders of the Corporation as they consider appropriate.

If no annual report for the last fiscal year has been sent to Shareholders, the Corporation shall, upon the written request of any Shareholder made more than 120 days after the close of such fiscal year, deliver or mail to the person making the request within 30 days thereafter the financial statements otherwise required by Section 1501 (a) of that Code for such year.

Section 7.06 Financial Statements. A copy of any annual financial statement and any income statement of the Corporation for each quarterly period of each fiscal year and any accompanying balance sheet of the Corporation as of the end of each such period that has been prepared by the Corporation shall be kept on file in the principal executive office of the Corporation for twelve (12) months, and each such statement shall be exhibited at all reasonable times to any Shareholder demanding an examination of any such statement or a copy shall be mailed to any such Shareholder.

If a Shareholder or Shareholders holding at least five percent (5%) of the outstanding shares of any class of stock of the Corporation makes a written request to the Corporation for an income statement of the Corporation for the three-month, six-month, or nine-month period of the then current fiscal year ending more than thirty (30) days before the date of the request, and a balance sheet of the Corporation as of the end of that period, the Chief Financial Officer shall cause the statement to be prepared, if not already prepared, and shall deliver personally or mail that statement or statements to the person making the request within thirty (30) days after the receipt of the request. If the Corporation has not sent to the Shareholders an annual report for the last fiscal year, financial statements of the character described in Section 1501(a) of the Corporations Code of California shall likewise be delivered or mailed to the Shareholder or Shareholders within thirty (30) days after the same have been requested.

The quarterly income statements and balance sheets referred to in this section shall be accompanied by the report, if any, of any independent accountants

engaged by the Corporation, or the certificate of an authorized Officer of the Corporation that the financial statements were prepared without audit from the books and records of the Corporation.

Section 7.07 Annual Statements of General Information. The Corporation shall, during the applicable filing period specified by statutes file with the Secretary of State of the State of California on the prescribed form a statement setting forth the authorized number of Directors, the names and complete business or residence addresses of all incumbent Directors, the names and complete business or residence addresses of the Chief Executive Officer, Secretary, and Chief Financial Officer, the street address of its principal executive office or principal business office in this state, and the general type of business constituting the principal business activity of the Corporation, together with a designation of the agent of the Corporation for the purpose of service of process, all in compliance with Section 1502 of the Corporations Code of California.

ARTICLE VIII

General Corporate Matters

Section 8.01 Record Date for Purposes other than Notice and Voting. For purposes of determining the Shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, other than action by Shareholders by written consent without a meeting, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days before any such action, and in that case only Shareholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights, or to exercise the right, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date so fixed, except as otherwise provided in the California General Corporation Law as otherwise provided in the California General Corporation Law.

If the Board of Directors does not so fix a record date, the record date for determining Shareholders for any such purpose shall be at the close of business on the day on which the Board adopts the applicable resolution or the sixtieth (60th) day before the date of that action, whichever is later.

Section 8.02 Checks, Drafts, Evidences of Indebtedness. All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness issued in the name of or payable to the Corporation shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by resolution of the Board of Directors.

Section 8.03 Execution of Corporate Contracts and Instruments. The Board of Directors, except as otherwise provided in these Bylaws, may authorize any Officer or Officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and this authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors, or unless it be within the agency power of an Officer, no Officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement, to pledge its credit, or to render it liable for any purpose or for any amount.

Section 8.04 Certificates for Shares. A certificate or certificates for shares of the capital stock of the Corporation shall be issued to each Shareholder when any of these shares are fully paid, and the Board of Directors may authorize the issuance of certificates or shares as partly paid provided that these certificates shall state the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the Corporation by the President or Vice President and by the Chief Financial Officer or an assistant treasurer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the Shareholder. Any or all of the signatures on the certificate may be facsimile. In case any Officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that Officer, transfer agent, or registrar before that certificate is issued, it may be issued by the Corporation with the same effect as if that person were an Officer, transfer agent, or registrar at the date of issue.

Section 8.05 Lost Certificates. Except as provided in this section, no new certificate for shares shall be issued to replace an old certificate unless the latter is surrendered to the Corporation and canceled at the same time. The Board of Directors may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the Board may require, including provision for indemnification of the Corporation secured by a bond or other adequate security sufficient to protect the Corporation against any claim that may be made against it, including any expense or liability on account of the alleged loss, theft, or destruction of the certificate or the issuance of the replacement certificate.

Section 8.06 Representation of Shares of other Corporations. The President, or any Vice President, or any other person authorized by resolution of the Board of Directors or by any of the foregoing designated Officers, is authorized to vote on behalf of the Corporation any and all shares of any other Corporation or corporations, foreign or domestic, standing in the name of the Corporation. The authority granted to these Officers to vote or represent on behalf of the Corporation any and all shares held by the Corporation in any other

Corporation or corporations may be exercised by any of these Officers in person or by any person authorized to do so by a proxy duly executed by these Officers.

Section 8.07 Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, the term “person” includes both a Corporation and natural person and the use of any gender, be it masculine, feminine or neuter, shall include all the genders.

ARTICLE IX

Amendments

Section 9.01 Amendment by Shareholders. New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that if the Articles of Incorporation of the Corporation set forth the number of authorized Directors of the Corporation, the authorized number of Directors may be changed only by an amendment of the Articles of Incorporation.

Section 9.02 Amendment by Directors. Subject to the rights of the Shareholders as provided in Section 9.01, Bylaws, other than a bylaw or an amendment of a bylaw changing the authorized number of Directors, may be adopted, amended, or repealed by the Board of Directors.

ARTICLE X

Water Service

Section 10.01 Right to Service. No water shall be supplied by company to any one who is not a shareholder, and all water shall be supplied at cost. Subject to the rules, regulations, bylaws and determinations of the board, each shareholder shall be entitled to receive such part of the entire water of the company that is available for distribution as the number of shares of stock held by him bears to the number of shares outstanding.

Section 10.02 Classes of Service. There shall be three classes of service determined by use, to be known respectively as “domestic” (being water treated by the company and directly delivered to shareholders through the company distribution system), “municipal” (being untreated water and delivered to shareholders who in turn treat the water for delivery of domestic, commercial and other users through their delivery systems) and “miscellaneous” (being

untreated water directly delivered to shareholders through the company distribution system for a variety of legally permissible uses, including farm irrigation, golf course watering, and rock company operations). Any share or fractional share receiving one service shall not be entitled to any of the others, except in those instances, and then only to the extent necessary, where limitations of the distribution system require otherwise to efficiently deliver the shareholder's entitlement to water. Tolls or charges may be different in the different classes, and may also differ in the same class where the cost to the company of the service is not uniform.

Section 10.03 Right-of-Way for Distributing System. The company shall have a permanent and continuing easement and right-of-way in, over, upon and across all highways and streets contiguous to the lands served for the purpose of constructing, enlarging, inspecting, maintaining, protecting, and operating its water distributing system with all pipes, hydrants, connections and meters, and the right once exercised for one or more of said purposes shall not exclude the right to exercise it at some subsequent time for other, or others, of said purposes.

The company shall also have a like easement and right-of-way upon like conditions, in, over, upon and across the premises of each shareholder for the purpose of operating its water service to such shareholder.

Each shareholder, by applying for or taking service from company confers upon company such right-of-way, and consents that company may enter upon such highways and the premises of the shareholder from time to time and any time for the purpose of exercising such rights, and that cessation of service by or to the shareholder shall not affect or impair said rights.

Each shareholder shall, upon demand of company, either before or during the continuance of service, confirm and assure such right-of-way to and in company by executing, acknowledging and delivering to company a separate instrument in form and provisions prescribed by company.

Section 10.04 Basic Area and Extended Area. As used in this Section "Basic Area" means:

- (1) All lands south of 14th Street prolonged east and west;
- (2) All lands bounded by Campus Avenue on the East, 24th Street prolonged east and west from Euclid Avenue on the North, Mountain Avenue on the West and 14th Street on the South; and

(3) All other lands which were supplied with water by the company before the 23rd day of February, 1932, and as to which the right of service was established before September 1, 1937, pursuant to the provisions of Section 8 Article XVII of the Bylaws of the company which section was adopted February 26, 1937.

The term “Extended Area” as used herein means all lands not included in the Basic Area.

The water shall be furnished by the company within the Extended Area unless and until

(a) The shareholder proposing to receive such service of water shall have designated in writing to the company the place where delivery of water is to be made and the number and identity of the shares of the company under which such delivery is to be made; and

(b) The board shall have determined that such service will be feasible without adversely affecting service to other shareholders then entitled to receive water; and

(c) The board shall have fixed a “connection charge” and the manner in which it shall be paid; and

(d) Such shareholder shall have paid or provided for the payment of such connection charge, in the manner fixed by the board.

The connection charge shall be determined by, or in a manner fixed from time to time by the board, and shall be based upon and represent as nearly as may be the portion, if any, of the capital investment by the company for service to the extended area which has been or will be occasioned by the service applied for. The connection charge may be based upon capital costs incurred or to be incurred directly or indirectly for or by reason or in anticipation of the service applied for, including investments for pumps and installations, pipe lines, extensions and enlargements, whether within the Extended Area or Basic Area.

Further, in the Extended Area no shareholder shall be entitled to receive water at a different place of delivery than so designated or in a greater quantity than may be furnished under the number of shares that has been so designated except upon an additional designation, determination, fixing of connection charge if any, and payment of provisions for payment thereof as above provided.

Section 10.5 Fractional Shares. No share shall hereafter be divided into any fraction other than one-quarter, and no certificate shall hereafter be issued for any fraction of a share other than one-quarter.

Section 10.06 Charges and Liens on Shares. Each charge or toll for water delivered to or for the record holder of any shares by virtue of or in respect of ownership of such shares is a lien against said shares from the time when furnished until paid. Such lien may be foreclosed in the manner which is at the time of foreclosure provided by law of the State of California for foreclosure of a pledge. Notice of the time and place appointed for the sale of any shares upon foreclosure of such lien shall be mailed to the record holder as it then appears upon the books of company, and if no address appears, then mailed to said record holder at Upland, California. No demand for payment or other notice of sale to the record holder or to any person appearing by the records of company to have an interest in said shares need be given other than as here in before provided. At any such sale or sales company may bid and purchase.

Section 10.7 No Transfer While Unpaid Liens. No transfer of the shares of company can or will be made on the books of company while any assessment, charge or toll there-against remains or is unpaid.

Section 10.08 Penalties, Interest and Collection Costs. Each shareholder shall be liable for payment of and shall pay to company, upon demand, all expenses incurred by company in collecting or enforcing payment from such shareholder of any delinquent assessment, charge, toll or other indebtedness. Included in such expenses are attorneys' fees in any proceeding for the enforcement of any lien herein provided for, or the collection of such indebtedness, whether by court action or otherwise, and all expenses of any sale.

All penalties on delinquent assessments, interest on overdue charges, tolls or other indebtedness, and expenses of collection, as above provided for, shall be added to the principal debt, and shall become and be a lien upon and against the shares and be secured thereby and enforced in the same manner and with the same effect as the principal debt.

Wherever elsewhere in these bylaws or in the share certificates the term assessment, charge, or toll shall be used, such term shall be deemed to include, in each and every instance whenever such construction is possible or permissible, all penalties, interest and collection expenses pertaining to such assessment, charge or toll, or attaching, accruing or resulting from the non-payment thereof when due.

Section 10.09 Record Holder Liable For Tolls and Charges. The record holder of any shares shall be entitled to the delivery of all water apportioned to such shares, subject to suspension or discontinuance, as herein provided and shall be personally liable for the payment of all tolls, charges, interest, costs and penalties in respect of or on account of such shares during the time the same are registered in his name on the books of company.

ARTICLE XI

Brown Act and Public Records Act

Section 11.01 Brown Act. All meetings and actions of the corporation shall be subject to, and, taken in accordance with, the Ralph M. Brown Act (Government Code, Section 54950, et. seq.)

Section 11.02 Public Records Act. Records of the corporation shall be subject to, and, made available for inspection and copying in accordance with the Public Records Act (Government Code Section 6250, et. seq.)

Section 11.03 Interpretation and Application of Bylaws. The Bylaws shall be interpreted and applied to comply with the requirements of, and otherwise be consistent with, the Brown Act and the Public Records Act.

Section 11.04 Repeal and Amendment of Inconsistent Provisions of the Bylaws. Any provision of the Bylaws that may be inconsistent with the Brown Act or the Public Records Act shall be deemed repealed if wholly inconsistent therewith or deemed amended to be consistent therewith if inconsistent to some degree or in some particular but less than wholly inconsistent therewith.

**FOURTH AMENDED AND RESTATED ARTICLES OF
INCORPORATION
OF
SAN ANTONIO WATER COMPANY**

I

The name of this corporation is SAN ANTONIO WATER COMPANY.

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business, or the practice of a profession permitted to be incorporated by the California Corporations Code.

The specific purpose of the corporation is to develop, distribute, supply, and deliver water to its shareholders for irrigation, domestic, and all other useful purposes, in proportion to the number of shares of stock held by them respectively, at actual cost, and is not organized for the private gain of any person.

III

The corporation is authorized to issue shares of stock, which shall be of one class only, and the total number of shares which may be issued is 15,000.

IV

Authority is expressly conferred upon the corporation to levy assessments upon and against all of the shares issued by the corporation; and the Board of Directors shall have power, by majority vote of its members, to levy assessments upon all the issued shares of the corporation, at such time or times, and from time to time, and in such amounts, as shall to them appear necessary or expedient; (provided, the assessment levied at any particular time shall be for the same amount against each share then issued and outstanding); and each assessment shall be a lien upon the shares assessed, from the time of the adoption of the resolution levying such assessment until paid, and each shareholder shall be personally liable to the corporation for the amount of each assessment levied against the shares, standing upon the books of the corporation in the name of such shareholder at the time of the adoption of the resolution levying such assessment, which amount may be recovered from the shareholder, by suit or personal action.

In event of non-payment of any assessment, the corporation, may, at its option, either (a) sell and/or forfeit the shares against which the assessment was levied, in the manner now, or as may be hereafter provided by the law of the State of California; or (b) by majority vote of its Board of Directors, collect the assessment by personal action and suit against the shareholder personally liable therefore.

V

The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

VI

The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) for breach of duty to the corporation and shareholders through bylaw provisions or through agreements

with the agents, or both, in excess of the indemnification otherwise permitted by Sections 317 of the California Corporations, subject to the limits on such excess indemnification set forth in Section 204 of the California Corporations Code.

VII

The corporation elects to be governed by all of the provisions of the California General Corporations Law of 1977 not otherwise applicable to this corporation under Chapter 23 thereof.



Incorporated October 25, 1882
In The Village of Ontario

Annual Report

2021

Tom Thomas, *President*
Will Elliott, *Vice President*
Martha Goss, *Secretary/Chief Financial Officer*
Bob Cable, *Director*
Rudy Zuniga, *Director*
Bill Velto, *Director*
Kati Parker, *Director*

Historical Overview

The San Antonio Water Company's history spans multiple centuries and involves no less than three nations; Spain, Mexico and The United States. We are one of the oldest mutual water companies in the nation and extremely proud of our heritage. The genesis of our story predates the United States of America and the State of California.

In 1771, four years prior to the Declaration of Independence, the Mission San Gabriel was established by Spaniards of the Franciscan order. It was the fourth of twenty-one Spanish missions established in California along the El Camino Real. Given the remote locations of California missions, self-sufficiency was critical to survival. To that end the missionaries established rancheros surrounding Mission San Gabriel to provide food and supplies. Along with dozens of other rancheros, Cucamonga was established for cattle grazing in support of the Mission. The name Cucamonga derives from the native Tongva Indian word kukamonga, interpreted as "sandy place".

Mexico (including the lands of Alta California) gained its independence from Spain in 1821. The Mexican secularization act of 1833 removed most of the mission's property rights, transferring to the Mexican government those lands granted to the Franciscan missions by the Spanish crown.

In 1839 the 13,000-acre Rancho Cucamonga (and its water rights) was granted by the Mexican Governor of California to Tiburcio Tapia, a wealthy Los Angeles merchant (and smuggler). The Rancho extended from San Antonio Creek eastward to present day Hermosa Avenue and from Eighth Street northward to the foothills. As an unencumbered property right, this land grant established Rancho Cucamonga under private ownership. Tapia is also credited with planting the first grape vines in the area and establishing the first winery in California.

In 1841, Antonio Maria Lugo was granted the Rancho Santa Ana del Chino. His son-in-law, Isaac Williams, managed the ranch from its inception and inherited the grant. Isaac's wife, Lugo's daughter María de Jesús, had already passed away in 1842 during childbirth.

In 1845 Governor Pio Pico granted 2,200 acres of land in Temecula Valley from the San Luis Rey Mission to Pablo Apis, a Luiseño Indian. The Indian village of Temecula was included in this land grant.

After traveling to Temecula around 1844 in search of laborers, Williams developed a close relationship to Apis and his family. Apis's two daughters each bore a daughter to Williams in 1846. The Williams and Apis families remained closely connected for years while Williams ranched cattle in Temecula.

Marking the end of the Mexican-American war, the Treaty of Guadalupe Hidalgo, signed in 1848, ensured that previous land grants and associated water rights would be honored by the American government in its newly acquired California territory. California was admitted as the 31st State of the Union on September 9, 1850.

In 1854 Williams hired ex-Texas Ranger John Rains to oversee his cattle holdings in Temecula.

Isaac and María de Jesús' 17-year-old daughter, Maria Merced Williams, married Rains in 1856, days after William's death. With this newly married wealth Rains traded Maria Merced's half of Rancho Santa Ana del Chino to her sister (in reality the deal was brokered between the husbands) for \$25,000. He used the proceeds to purchase Rancho Cucamonga from Tapia in 1858. Rains inappropriately, and probably

illegally, kept Merced's name off the Rancho Cucamonga deed. Rains also purchased Warner Ranch in San Diego County from José Pico, a relative of Governor Pio Pico. Rains also continued to keep a working relationship with the Apis family and the Luisaño Indians in Temecula.

For a variety of reasons (the end of the gold rush, civil war, drought, and flood all included) Rains' holdings devolved into severe financial trouble. In 1862 Rains borrowed \$16,000, mortgaging Rancho Cucamonga. Five days after signing the mortgage Rains was murdered in Mud Springs (now San Dimas) while on his way to Los Angeles. Interestingly, he was traveling unarmed because his pistols went missing just prior to the trip. His body was found eleven days later. He had been lassoed, dragged from his wagon, right arm torn from the socket, shot twice in the back, once in the left breast and once in the right side.

There were many suspects to the murder, including his wife, Maria Merced. John and Maria Merced did not see eye-to-eye regarding how he was handling her financial holdings. Soon after Rains body was found a group of vigilantes arrived at Billy Rubottom's Inn with intent to lynch the widowed Rains. Mr. Rubottom disarmed the men, thereby protecting Ms. Rains.

In 1864 Ramon Carillo, the Rains' ranch foreman (and suspected love interest of Maria Merced) was shot in the back while traveling next to her carriage. He died at the Rubottom Inn. It is said that his ghost continues to haunt what is now known as the Sycamore Inn.

After Carillo's death a pregnant Maria Merced and her four children moved in with her sister and brother-in-law, Francisca and Robert Carlisle. She stayed for two weeks before returning to Rancho Cucamonga, along with her children and three Apis half-sisters from Temecula. Two weeks later she married Jose Clemente Carrillo (no relation to Ramon), one of two Los Angeles constables investigating her husband's murder.

Three months later Robert Carlisle browbeat Maria Merced into granting him legal control of her property. Maria Merced recognized her mistake almost immediately and spent the next few years in a legal fight to have Carlisle's power revoked. During that time Carlisle proceeded to strip the property of value while avoiding payment of the \$16,000 mortgage. Eventually a judge removed Carlisle's control and appointed a new Executer, Andrew "Jack" King, a Los Angeles deputy sheriff.

Carlisle blamed King for losing control of Rancho Cucamonga. In 1865 Carlisle confronted King during a wedding celebration in Los Angeles. Carlisle was shot and killed during the ensuing fight.

Apparently, King was unable to stabilize Maria Merced's finances because in 1870 a judge ordered the foreclosure of Rancho California for outstanding debt. Isaias Hellman purchased the 13,000-acre Rancho Cucamonga for about \$50,000 and proceeded to return it to profitability.

In 1882 Canadians George and William Chaffey purchased 8,000-acres of the Cucamonga Rancho, including the water rights, for \$90,000 and established an irrigation colony which they named Ontario, in honor of their homeland. On October 25th of that same year they also established the San Antonio Water Company under the General Corporation Laws of the United States. Those rancho water rights established way back in the 1700's, passed down from owner to owner, were transferred to the Company to support the newly established irrigation colony.

The brothers sold irrigation colony land in 10-acre blocks, primarily intended for the booming citrus industry. Along with the land, the brothers sold shares in the Company, one share for each purchased

acre. Each shareholder was entitled to a portion of available local water, distributed equally by the company amongst all the shareholders. The Company was responsible for distributing water on a non-profit basis to the shareholders.

Since 1882 the San Antonio Water Company has consistently provided water service to its shareholders. Although the local citrus industry has largely disappeared, the Company maintains delivery to current shareholders utilizing the same successful ‘per share’ distribution plan established over 139 years ago.

The Company does not import any water. Instead, we are dependent on our local San Antonio Mountain watershed and groundwater basins. Utilizing local water sources dramatically keeps costs down but also increases the risk associated with long term drought. The State of California has been in a prolonged drought for many years. It is important to remember that every year of ‘below average’ rainfall will require at least one equal year of ‘above average’ rainfall to balance. Like all Southern Californians, we remain on a constant water conservation watch.

Currently, our shareholders include most residents of the unincorporated area of San Antonio Heights, the Cities of Upland and Ontario, the Monte Vista Water District, the US Forest Service, the San Bernardino County Flood Control District, local quarries and the proud heritage of remaining grove irrigators.

Annual shareholder water entitlements are established based on projected availability. For 2021, full water entitlement was established at 13,000 Acre Feet (AF). The table below shows how that 13,000 AF was divided among current shareholders, along with actual water delivered in 2021. Due to lack of rainfall and midyear loss of canyon creek flow the Company was unable to provide access to full entitlement for all shareholders.

Shareholders	Shares (owned and leased, rounded)	Annual Entitlement, Acre Feet per Year (AFY)	2021 Delivery (AFY)
City of Upland	4,515.75	9,186.88	7,524.93
Monte Vista Water District	330.5	670.96	718.17
City of Ontario	295.25	600.76	472.50
Domestic Customers	623.5	1,268.66	1,428.86
Rock Company	132.25	269.10	248.17
Golf Courses	218.25	444.08	374.10
Grove Irrigators	50.25	102.25	50.99
Inactive Shares	210.25	457.31	0
Total shares	6,389	13,000	10,830.31

CORE VALUES

San Antonio Water Company's core company values create a framework within which individuals within the Company are free to act in a way that enables them to contribute to the long term prosperity of the business.

As a Company, we value:

- High standards of business ethics and personal integrity - We believe that doing what is right, in accordance with the Company's core values, will enhance the perception of its shareholders and its counterparts.
- Personal growth through continuing education and certification, thereby reinforcing the confidence of our shareholders in our ability to provide excellent water quality.
- Respect for the dignity and importance of all members of staff and their contribution towards achievement of the Company's objectives. We are committed to creating a workplace where employees are encouraged to strive for their personal best.
- Cost effectiveness and efficiency. We encourage our employees to contribute their ideas for improving our business and operational processes.
- Safety. We are committed to ensuring a work environment that is clean, orderly and safe.
- Following through on our commitments as management and employees, we pledge accountability to our shareholders and employees for achieving our commitments, results, and quality.

Our continued vision is to achieve the following goals:

- Be the place where the best people choose to work - to encourage creative thinking and reward performance in appropriate, measurable ways.
- Embrace change, growth, and diversity.
- Seize every opportunity to serve our shareholders better through expanding services, staff culture, education, and technological development.
- Enable our employees to realize their full potential by encouraging self-development and professional growth.



Board of Directors 2021



President
Tom Thomas



Vice President
Will Elliott



Secretary/CFO
Martha Goss



Rudy Zuniga



Bob Cable



Kati Parker



Bill Velto

Advisory Committees 2021

(PROC)
Planning, Resources & Operations Committee
Will Elliott - Chairperson
Rudy Zuniga
Kati Parker

(AFC)
Administrative & Finance Committee
Martha Goss - Chairperson
Bob Cable
Bill Velto

Manager's Message

On behalf of the Board of Directors I am pleased to present the Company's 2021 Annual Report highlighting some of the Water Company's accomplishments and challenges in calendar year 2021.

Like everyone else, SAWCO continues adapting and adjusting to the ever-changing rules regarding COVID-19. Shareholders, Directors, and staff are all to be commended for their patience and resilience as we continue adapting to masks, social distancing, GoToMeetings, closed offices, remote working, et cetera. Despite these new challenges, I am happy to report that your water company achieved a remarkable amount of progress this past year.

Construction highlights for 2021 include completion of the following:

- Holly Drive Reservoir, Phase II (120,000-gallon steel tank)
- Replacement of residential meters with Advanced Metering Technology
- Reservoir 9 Pipeline Replacement
- Frankish Tunnel Outfall Improvements
- Euclid Crescent Pipeline Replacement
- Linda Drive / Lamplighter Pipeline Replacement
- Primrose Lane Pipeline Replacement
- Booster 17 Modernization
- Demolition of abandoned Booster Stations 5 and 15
- Installation of Distribution Box safety covers (Edison and Main Box)
- Installation of gas generators at three key facilities for future Edison shut-offs

All the above projects are intended to improve the Company's existing infrastructure and continue the high-quality water delivery that our shareholders have come to expect.

The company continues our patient efforts to develop a regional consensus regarding watershed protection in the San Antonio Canyon. Ultimately, we want to protect the Company's water rights, establish stronger relationships within the canyon and ensure clean water for all canyon stakeholders.

We continue building relationships with all our shareholders, neighboring agencies, government entities and stakeholders in the protection and enhancement of our beautiful and beloved area.

We remain engaged in the management of all three groundwater basins important to the Company: Chino, Six Basins and Cucamonga. In 2021 Assistant General Manager Teri Layton represented the Company as a Director on Six Basins Water Master Board. I continued serving at the Chino Basin Appropriative Pool. Teri and I are working with staff from Cucamonga Valley Water District and West End Consolidated Water Company to draft an update to the Cucamonga

Basin judgment, replacing outdated terminology and inserting the current understanding of basin hydrology.

As I currently look out my window wondering when the rain will fall, I am reminiscing about the winter rains from early 2019. Remember those? Just like 2020 and 2021, the start of 2022 bluntly reminds us that California is an arid environment. Our annual rainfall average is approximately 17 inches. In 2021 we received slightly above average rainfall thanks to a late series of storms in December. Multiple years of below average rainfall require multiple years of above average rainfall to achieve balance in the force. One year of good storm-fall is not enough. The Company has maintained full yearly entitlement of 13,000 AF for 2022 and increased our water alert to 'Moderate Shortage' stage. While we remain committed to delivering full entitlements, we will be conducting a midyear review, comparing established entitlement to water availability. If 2022 Spring rainfall does not materialize a correction may be necessary. Conservation is a way of life for those of us blessed to live in this beautiful region.

Rainfall Totals for 2021 (inches)												
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
3.31	0.03	1.52	0.88	0.45	0.01	0.19	0.00	0.00	1.21	0.00	11.25	18.85

For the Board and staff of San Antonio Water Company, it remains an honor to continue building on the legacy established by William and George Chaffey 139 years ago - improving regional water security by increasing our ability to utilize local sources.

Sincerely,

Brian C. Lee

General Manager, San Antonio Water Company

February 15, 2022

SAN ANTONIO WATER COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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**San Antonio Water Company
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**San Antonio Water Company
Organization Data
December 31, 2021**

DATE AND STATE OF INCORPORATION:

Organized October 25, 1882 under the laws of the State of California

DATE OF ANNUAL MEETING:

Date and time designated by Board of Directors

DURATION OF CHARTER

Perpetual

OFFICERS:

Tom Thomas..... President

Will Elliott..... Vice President

José R. Sánchez.....Secretary/Chief Financial Officer

DIRECTORS:

Tom Thomas

Bill Velto

Bob Cable

Will Elliott

Rudy Zuniga

Martha Goss

José R. Sánchez

GENERAL MANAGER:..... Brian Lee

ASSISTANT GENERAL MANAGER:.....Teri Layton

JAMES M. GARBO, CPA
RANDAL L. DOUGLASS, CPA
CRAIG B. MILLER, CPA



BOWEN, McBETH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

10722 ARROW ROUTE, SUITE 110
RANCHO CUCAMONGA, CALIFORNIA 91730
TELEPHONE (909) 944 6465 FAX OR MSG (909) 980 4788

INDEPENDENT AUDITORS' REPORT

**Board of Directors
San Antonio Water Company
Upland, California**

We have audited the accompanying financial statements of San Antonio Water Company (a non-profit corporation) which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and retained earnings, and cash flows for the year ended December 31, 2021, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including, the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Antonio Water Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Bowen, McBeth, Inc.

Bowen, McBeth, Inc.

March 2, 2022

San Antonio Water Company
Balance Sheets
December 31, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents		
Cash undesignated	\$ 2,410,073	\$ 4,192,741
Cash designated	3,707,315	3,613,540
Certificates of deposits		20,000
Receivables		
Due from domestic customers	153,270	194,204
Due from municipal customers	425,432	244,151
Due from miscellaneous customers	10,504	20,709
Other receivables	688,544	225,324
Prepaid income taxes	2,858	144
Note receivable, current portion	344,000	344,000
Prepaid expenses	9,238	9,238
Inventory - supplies, materials	162,452	91,205
TOTAL CURRENT ASSETS	7,913,686	8,955,256
INVESTMENTS		
Deferred compensation asset	54,019	34,215
TOTAL INVESTMENTS	54,019	34,215
PROPERTY, PLANT, AND EQUIPMENT		
Land, water rights, wells, buildings and equipment	37,347,197	34,087,907
Less: accumulated depreciation	(14,366,295)	(13,473,024)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	22,980,902	20,614,883
OTHER ASSETS		
Pomona Valley Protective Association	1	1
Note receivable, net of current portion	344,000	688,000
Documents and studies	1,151,966	917,489
Less: accumulated amortization	(730,023)	(681,380)
TOTAL OTHER ASSETS	765,944	924,110
TOTAL ASSETS	\$ 31,714,551	\$ 30,528,464

The accompanying notes are an integral part of the financial statements

**San Antonio Water Company
Balance Sheets (continued)
December 31, 2021 and 2020**

LIABILITIES AND STOCKHOLDERS' EQUITY

	2021	2020
CURRENT LIABILITIES		
Trade accounts payable	\$ 204,392	\$ 13,187
Accrued expenses	660,162	660,162
Deposits	1,700	850
Deferred revenue	14,016	4,824
Current portion of deferred gain	343,060	343,059
	1,223,330	1,022,082
LONG TERM LIABILITIES		
Deferred gain on sale of property, net of current portion	343,060	686,120
Deferred compensation liabilities	54,019	34,215
	397,079	720,335
TOTAL LONG TERM LIABILITIES		
	397,079	720,335
TOTAL LIABILITIES	1,620,409	1,742,417
STOCKHOLDERS' EQUITY		
Capital stock, par value \$100; authorized 15,000 shares; issued and outstanding 6,389 shares	638,900	638,900
Paid-in capital in excess of par value	447,258	447,258
Contributed property, plant and equipment	2,432,257	2,432,257
Retained earnings:		
Undesignated cumulative retained earnings	22,868,412	21,654,092
Designated by Board of Directors:		
Depreciation/Obsolescence reserve	3,707,315	3,613,540
Total retained earnings	26,575,727	25,267,632
TOTAL STOCKHOLDERS' EQUITY	30,094,142	28,786,047
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 31,714,551	\$ 30,528,464

The accompanying notes are an integral part of the financial statements

San Antonio Water Company
Statement of Operations and Retained Earnings
For the Year Ended December 31, 2021

REVENUE	
Domestic water income - stockholders	
Base rate - Includes availability charges	\$ 531,992
Supplemental usage - Includes Tier 2 and 3 charges	573,462
Municipal water income - stockholders	
Base rate - Includes availability charges	3,135,598
Miscellaneous water income - stockholders	
Base rate - Includes availability charges	246,206
Supplemental usage - Includes Tier 2 and 3 charges	9,063
Dormant water availability charge	52,094
Sale of stored ground water	430,000
Net gain on sale of assets	343,060
Miscellaneous	15,376
TOTAL REVENUE	<u>5,336,851</u>
EXPENSES	
Administrative services	389,547
Field labor	307,386
Payroll taxes & benefits	484,624
Repairs	236,709
Power-gas & electric (Utilities)	791,556
Office supplies/expenses	88,446
Directors fees & expenses	31,655
Insurance	51,661
Depreciation & amortization	947,867
Communication	41,227
Outside services	12,017
Human resources expense	71,245
Property taxes	222,112
Accounting & legal expense	260,345
Water resource management	127,753
Conservation	12,842
Staff development & training	6,017
All other	41,062
TOTAL EXPENSES	<u>4,124,071</u>
INCOME FROM OPERATIONS	<u>1,212,780</u>
OTHER INCOME	
Ground lease	69,514
Interest (net of fees)	34,943
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>1,317,237</u>
PROVISION FOR INCOME TAXES	<u>9,142</u>
NET INCOME	<u>1,308,095</u>
RETAINED EARNINGS, JANUARY 1	<u>25,267,632</u>
RETAINED EARNINGS, DECEMBER 31	<u>\$ 26,575,727</u>

The accompanying notes are an integral part of the financial statements

**San Antonio Water Company
Statement of Cash Flows
For the Year Ended December 31, 2021**

NET INCOME	\$ 1,308,095
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	947,867
Gain on sale of property as part of the installment sale	(343,060)
Changes in assets and liabilities related to operations:	
(Increase) decrease in receivables	(130,141)
(Increase) decrease in other receivables	(463,219)
(Increase) decrease in prepaid income taxes	(2,714)
(Increase) decrease in inventories	(71,248)
(Increase) decrease in deferred compensation asset	(19,804)
Increase (decrease) in payables	191,205
Increase (decrease) in deposits	850
Increase (decrease) in deferred compensation liability	19,804
Increase (decrease) in deferred revenue	9,192
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,446,827
Cash flows from investing activities:	
Proceeds from sale of certificate of deposit	20,000
Proceeds from sale of property as part of the installment sale	344,000
Purchases of property, plant and equipment	(3,297,871)
Purchases of documents and studies	(201,849)
NET CASH USED BY INVESTING ACTIVITIES	(3,135,720)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,688,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,806,281
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,117,388
SUPPLEMENTAL INFORMATION:	
Cash paid for income taxes	\$ 9,142
Installment Sale	
Deferred gain	\$ 687,200
Cash received	363,402
Interest received	19,402

The accompanying notes are an integral part of the financial statements

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The San Antonio Water Company (Company) is a mutual water company and, in accordance with Internal Revenue Code Section 501 (c) (12), is exempt from federal income taxes. To qualify for the exemption, at least 85% of the Company's revenue must be from shareholders. The Company does pay California income taxes on other income unrelated to the water operations.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Company in its federal exempt and state organization tax return are more likely than not to be sustained upon examination. The Company's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and for a period of four years for California taxing authorities.

Changes in fair value of investments that occur during the year are recognized as investment earnings reported for that year. Investment income includes interest earnings, dividends, unrealized gains and losses and any gains or losses realized upon the liquidation or sale of investments.

The Company uses the straight-line method of depreciation over the useful lives of 4 years to 50 years depending on the asset for its plant and equipment. Property and equipment are carried at historical cost, which is purchase or construction cost, less accumulated depreciation and any recognized impairment loss. Work in progress includes all direct and certain indirect costs of construction, in accordance with our accounting policy. Depreciation of constructed assets commences when the assets are ready for their intended use.

The Company assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets during the years ending December 31, 2021 and 2020.

Documents and studies are carried at historical cost less accumulated amortization and any recognized impairment loss. The Company amortizes the documents and studies with finite lives on a straight-line basis over their estimated useful lives. Documents and studies include maps and research documents that are being amortized over 5-15 years.

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Also, the Company considers all short term highly liquid investments that are readily convertible to known amounts of cash and so near to maturity that they present insignificant risk of changes in value.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories are valued at lower of cost or market using the first-in, first-out method.

Accounts receivable are considered to be fully collectible; accordingly, no allowance for doubtful accounts is normally required. The Company reviews any accounts receivable other than trade receivables that are over a year old for collectability. When collectability is in question then the process is started to force a sale of the shares to cover the receivable.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reported periods. Actual results could differ from those estimates.

The Company evaluated events subsequent to December 31, 2021 and through March 2, 2022, the audit report date and the issue date of the financial statements.

The Company's financial instruments are cash, certificate of deposit, accounts receivable, and accounts payable. The recorded values of cash, certificate of deposit, accounts receivable and accounts payable approximate their fair values based on their short-term nature.

Revenue Recognition: San Antonio Water delivers water to its shareholders. Each shareholder must have at least a quarter share of stock in the company in order to receive water. This is considered the shareholders entitlement. Water is delivered to each shareholder at the base rate up to their entitlement and any water delivered after that is delivered at the excess, or tier 2 or tier 3 rate. Revenue is recognized every other month at a single point in time when the shareholders water meter is read.

NOTE 2. WATER RIGHTS AND ASSESSMENTS

Chino Basin

The Company holds water rights within the Chino groundwater basin based on a 1978 adjudication. Annual production rights may be adjusted by the Courts. The cost of administering the judgment provisions is assessed annually to the parties and water producers under the terms of the judgment.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 2. WATER RIGHTS AND ASSESSMENTS (continued)

Cucamonga Basin

The Company holds water rights within the Cucamonga groundwater basin based on a 1958 Decree. Although the decree defines responsibilities there is no provision for assessments. Parties to this basin include the San Antonio Water Company, Cucamonga Valley Water District and the West End Consolidated Water Company.

Six Basins

The Company holds water rights within the Six Basins groundwater basin based on a 1998 adjudication. Operating safe yield is adjusted annually. The cost of administering the judgment provisions is assessed annually to the parties and water producers under the terms of the Judgment.

Pomona Valley Protective Association

The Company holds stock in the Pomona Valley Protective Association (PVPA), nonprofit entity that spreads San Antonio Canyon flow waters for the benefit of its shareholders. The water is spread over approximately 760 acres of land owned by PVPA. Under the recent Six Basins Judgment of 1998, PVPA conducts water spreading at the direction of the Six Basins Watermaster.

Stream Diversions

The Company holds water rights in the San Antonio Canyon. Company stream diversions were established pre-1914 and are shared by the Company and the City of Pomona. The two parties have shared expenses to date based on percentage of water rights. There is no assessment mechanism in place.

The Company initiated a water rights investigation of the San Antonio Canyon Watershed in 2009. The investigation confirmed that the Company stripped most riparian, appropriative and overlying rights to property previously sold within the canyon. Those stripped rights remain with the Company. Most of the cabins in the Mt. Baldy area are currently permitted under a US Forest Service special-use permit with no apparent provision of water rights conveyed with said permits.

In 2009, the Company developed a License Agreement for the purpose of allowing certain private and special-use lots to continue using water from the San Antonio Creek, provided that the lots limit and pay for their water usage as an ongoing claim and not as a commodity rate.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 3. INVESTMENTS

Investments are recorded at fair value. The historical cost and fair value at December 31, 2021 is as follows:

	2021		2020	
	Historical Cost	Reinvested Gains	Book Value	Fair Value
Mutual funds	<u>\$ 40,578</u>	<u>\$ 13,441</u>	<u>\$ 54,019</u>	<u>\$ 54,019</u>
Mutual funds	<u>\$ 29,757</u>	<u>\$ 4,458</u>	<u>\$ 34,215</u>	<u>\$ 34,215</u>

Investments in the amount of \$54,019 have been restricted by the Board for the payments of a non-qualified deferred compensation plan established for the general manager (See Note 12).

NOTE 4. FAIR VALUE MEASUREMENTS

Under the Fair Value Measurements statement, which prioritizes the inputs to valuation techniques used to measure fair value, the three levels of the fair value hierarchy are as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date.
- Level 2 – inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
- Level 3 – inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

All of the Company's investments at December 31, 2021 and 2020 are measured within the Level 1 of the fair value hierarchy with the LAIF being measured within the Level 2 (See Note 10).

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are shown at 1929 appraised values plus subsequent additions at cost. Actual values may be higher.

	2021	2020
Land and water rights	\$ 920,161	\$ 920,161
Tunnels and forebay	1,587,111	1,587,111
Wells, shafts, building	4,910,919	4,887,027
Pipelines	18,532,025	16,435,127
Boosters	2,500,593	2,448,690
Reservoirs	3,081,787	3,081,787
Work in progress	2,211,330	1,133,239
All other	3,603,271	3,594,765
	<u>37,347,197</u>	<u>34,087,907</u>
Less: Accumulated depreciation	(14,366,295)	(13,473,024)
TOTALS	<u><u>\$ 22,980,902</u></u>	<u><u>\$ 20,614,883</u></u>

A detailed listing of changes to property, plant, and equipment is as follows:

	Balance 01/01/21	Additions	Disposals/ Retirements	Work in Progress Transfers	Balance 12/31/21
Land and water rights	\$ 920,161	\$	\$	\$	\$ 920,161
Tunnels and forebay	1,587,111				1,587,111
Wells, shafts, building	4,887,027	23,892			4,910,919
Pipelines	16,435,128		(6,080)	2,090,817	18,532,025
Boosters	2,448,690			51,903	2,500,593
Reservoirs	3,081,787				3,081,787
Work in progress	1,133,239	3,265,472	44,661	(2,142,720)	2,211,330
All other	3,594,764	8,507			3,603,271
	<u><u>\$34,087,907</u></u>	<u><u>\$3,297,871</u></u>	<u><u>\$ 38,581</u></u>	<u><u>\$</u></u>	<u><u>\$37,347,197</u></u>

Depreciation of \$893,271 was charged to operations in 2021.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 6. OTHER ASSETS

Documents and Studies

	2021	2020
Master Plan Update 2017	\$ 278,870	\$ 278,870
Facilities Mapping	135,534	135,534
Water Rights Study	112,798	112,798
Hydrogeologic Study	48,000	48,000
Urban Water Management Plan (UWMP) 2016	33,292	33,292
Work in Progress	244,586	49,711
All other	298,886	259,284
	1,151,966	917,489
Less: Accumulated amortization	(730,023)	(681,380)
TOTALS	\$ 421,943	\$ 236,109

Amortization of \$54,595 was charged to operations in 2021.

Estimated future amortization expense for the document and studies as December 31, 2021.

December 31,		
	2022	\$ 47,031
	2023	40,819
	2024	39,838
	2025	16,599
	2026	-
	Thereafter	277,656
		\$ 421,943

Master Plan Update

A 2017 Master Plan Update was adopted by the Board on December 6, 2017 and placed in service in January 2018. The Company is currently working towards completing a new update and expects it to be finished in 2022.

Facilities Mapping

The Company started in 2019 and began amortizing in 2021, a Geographic Information System (GIS). The intent of the GIS database is to aggregate pertinent information of Company facilities into a database that can be readily queried. Water Systems Consulting is currently maintaining the database and will implement any updates or changes.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 6. OTHER ASSETS (continued)

Water Rights Study

A legal opinion of the Company's water rights was completed in 1993.

Hydrogeologic Study

This study evaluated the hydrogeologic characteristics of the local ground water basins. Its purpose was to evaluate the feasibility of rehabilitating some existing well casings and identify possible sites for new water wells. The study was completed in 1997.

Urban Water Management Plan

Urban Water Management Plan's (UWMP) are prepared by water suppliers to support long-term resource planning and ensure adequate water supplies are available to meet existing and future water demands. The State of California requires all urban water suppliers to create an UWMP once every five years.

The company completed its first UWMP in 2005. In 2010 the Company shifted its UWMP from 'retailer' to 'wholesaler', impacting Best Management Practices (BMP's) identified in the 2005 UWMP and the 2010 requirements of a State mandated 20% water reduction by 2020.

The most recent UWMP will be completed for the 2022 year.

All Other

These assets include well site evaluations, San Antonio Creek Watershed Sanitary Survey, Cucamonga Basin groundwater study, alternative spread in Cucamonga wash, study to expand spreading grounds, Edison Ponds, alternative energy feasibility study and photo history documentation.

Pomona Valley Protective Association

The Company is a member and owns a small interest (1.5%) in the Pomona Valley Protective Association (PVPA), a nonprofit entity that owns approximately 760 acres of land dedicated to water conservation.

Due to the nature of the PVPA as a membership organization, the Company's investment is stated at \$1 on the Company's records.

NOTE 7. DEFERRED REVENUE

The San Bernardino County Transportation Authority has paid for a ground lease at East 6th Street, Ontario to use while they work on the I-10 Freeway Corridor Contract 1 Project. They paid the full amount of \$8,040 for the five year term of the lease. San Antonio Water recorded the \$1,608 lease income for the year and the remaining amount of \$3,216 is recorded as deferred revenue. The Company also was paid the full amount of \$21,000 for an 18 month lease starting in April 2021. The deferred amount is \$10,800. Total deferred revenue is \$4,824 and \$14,016 for 2020 and 2021, respectively.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 8. MAJOR CUSTOMERS

The Company's principal operation consists of providing domestic and irrigation water to its stockholders. Revenue from its major shareholder is as follows:

GOVERNMENTAL AGENCY	2021	2020
City of Upland (see note 9)	\$ 2,722,953	\$ 3,356,125
% of Total Revenue	50.0%	57.8%
Accounts Receivable from Major Customer	\$ 367,573	\$ 189,746

NOTE 9. LICENSE AGREEMENTS

City of Upland Water Service Agreement:

The City of Upland's Water Service Agreement started on January 1, 2017 and expired on December 31, 2021. The agreement provides the City full yearly entitlement at the base rate with no seasonal restrictions. In exchange the City has no guarantee of full entitlement delivery and is prohibited from exceeding its annual entitlement unless agreed to by Company.

The Company is working to renew the agreement for another five-year term.

City of Ontario Water Service Agreement:

The City of Ontario's Water Service Agreement started on January 1, 2017 and expired on December 31, 2021. The agreement provides the City a full yearly entitlement at the base rate with no seasonal restrictions. In exchange the City has no guarantee of full entitlement delivery and is prohibited from exceeding its annual entitlement unless agreed to by Company.

The Company is working to renew the agreement for another five-year term.

Monte Vista Water District (MVWD) Water Service Agreement:

The Monte Vista Water District Water Service Agreement started on January 1, 2017 and expired on December 31, 2021. The agreement provides the District a full yearly entitlement at the base rate with no seasonal restrictions. In exchange the District has no guarantee of full entitlement delivery and is prohibited from exceeding its annual entitlement unless agreed to by Company.

The Company is working to renew the agreement for another five-year term.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 10. CONCENTRATION OF CREDIT RISK

The Company maintains its cash and certificates of deposit balances in two financial institutions. The balance at Citizens Business Bank is collateralized up to \$2,000,000. The remaining balance is insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2021, the Company maintained deposits of \$2,761,648 leaving an uninsured balance of \$511,648 at this institution. Also, at December 31, 2021 the Company had a balance of \$3,408,807 deposited with the Local Agency Investment Fund (LAIF). This is a highly liquid account that is managed by the State of California. The fund is fully secured and is at no cost to the Company. We have included this amount in the cash and cash equivalents due to the amounts being readily convertible to cash. Based on the investments of the LAIF it is considered to fall into the Level 2 of the fair value hierarchy at December 31, 2021. (See Note 4).

Net earnings on LAIF was comprised of interest in the amount of \$15,311 at December 31, 2021.

NOTE 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Company's financial assets as of December 31, 2021, reduced by amounts not available for general use because of board designated reserves that have been created to fund the Depreciation/Obsolescence reserves or due to contractual requirements.

Financial assets at December 31, 2021:

Cash	\$	6,117,388
Receivables		589,206
Other receivables		688,544
Note receivable, current portion		344,000
Total financial assets		7,739,138
Less: Unavailable for general expenditures within one year due to:		
Board designated reserves		3,707,315
Total unavailable financial assets		3,707,315
Financial assets available to meet cash needs for general expenditures within one year	\$	4,031,823

As part of its liquidity management, excess cash is invested in the Local Agency Investment Funds which is a highly liquid account that is managed by the State of California. The fund pays interest and is very liquid. The fund is fully secured and is at no cost to the Company.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 12. PENSION PLAN

On May 15, 2018, the Board approved changing the current employee Nationwide 401(k) plan to the Nationwide Flexible Advantage Program. This changed the current plan from an annuity that provides some protection for principle investments and beneficiaries but carries associated fees which reduce the interest gained relative to current investments in the market.

The Nationwide Flexible Advantage Program provides more investment flexibility for the employee, in person and online education and tools, lowers overall cost and provides a higher return on investments. The transfer of assets and contributions to the new investment platform started in May of 2019. The Company expense for the pension plan was \$59,946 and \$68,971 for 2020 and 2021, respectively.

On February 5, 2019 the company established a non-qualified deferred compensation plan for the General Manager. The plan pays 7.5% of the General Manager salary to the deferred compensation and also pays for a \$100,000 whole life insurance policy. At December 31, 2021 the plan had a total liability of \$54,019 which is comprised of mutual funds investments (See Note 3). Total cost for the deferred compensation plan and life insurance policy in was \$19,912 and \$15,677 for 2020 and 2021, respectively.

NOTE 13. PAYROLL AND RELATED EXPENSES

The San Antonio Water Company tracks all expenses based on a specific activity and desires to expand the understanding of our shareholders by presenting a clear picture of labor expenses. For 2021 the Company's payroll expense was \$1,035,488 which includes base pay and time off compensation (i.e. vacation, sick leave, holidays, etc.). Benefit costs (i.e. health insurance, retirement, etc.) were \$250,488 and the cost of employment (i.e. payroll taxes and worker's compensation insurance) was \$89,365. This is a total of \$1,375,341 for labor and related expenses.

NOTE 14. SALE OF STORED GROUND WATER

In February of 2021, the Water Company leased the pumping rights of 600 acre-feet of water for \$300 per acre foot for \$150,000 and in December of 2021, the Water Company leased the pumping rights of 300 acre feet of water for \$500 per acre foot for \$180,000 out of its Six Basin storage account to the Three Valleys Municipal Water District total of \$330,000. Also, in December of 2021, the Water Company leased the pumping rights of 200 acre-feet of water for \$500 per acre foot for \$100,000 out of its Six Basin storage account to the City of La Verne. Total sale of stored ground water was \$430,000 in 2021.

**San Antonio Water Company
Notes to Financial Statements
December 31, 2021**

NOTE 15. CASH ACCUMULATION DESIGNATED BY BOARD OF DIRECTORS FOR DEPRECIATION AND OBSOLESCENCE RESERVES

On February 18, 2020, the Board approved the following reserve policies:

- Operating reserve – 90-180 days budgeted operating expense
- Capital Investment and Depreciation Reserve Funds (D&O Reserve) – 5%-20% of Company’s total property & equipment from auditor’s statement
- Debt Service Reserves – Minimum as set forth in borrowing documents

On February 16, 2021, the Board approved a Facility Modernization Fund for the purpose of funding rehabilitation of abandoned property and a new office and yard facility in the future. This reserve is called Modernization Fund.

Given the above reserve policies, at year end the Company’s status is as follows:

Reserve	Desired Amount based on policy	Actual Amount
Operating Reserve	\$794,200 - \$1,588,400	\$4.2 million
D&O Reserve	\$1.0 million - \$4.0 million	\$3.6 million
Debt Service Reserve	\$0	\$0
Modernization Fund	\$0	\$0.7 million

The Company currently does not have any debt and does not require any reserves in the Debt Service Reserves Fund.

The Company is currently updating their master plan. The last update of the master plan in 2017 summarized recommended Capital Improvement projects and cost estimates for the domestic and irrigation system totaling \$18,787,626.

Development of the D&O reserves will fund depreciation of assets and all capital improvements, Master Plan and non-master plan improvements. In the past, the Company funded this reserve with monies received from the sale of any stored water in the groundwater basins where company rights exist, and any positive balance of operations resulting from the annual service operations of the Company. New policies in 2020 changed this methodology and amounts in reserves are determined by the policy and not the source of revenue.

During 2021, a total of \$1,729,729 was spent on projects in the Capital Facilities Improvement Plan [Master Plan] and \$1,614,336 was spent on capital improvement projects or other asset not identified in the master plan.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 15. CASH ACCUMULATION DESIGNATED BY BOARD OF DIRECTORS FOR DEPRECIATION AND OBSOLESCENCE RESERVES (continued)

The following details the amount required to fund the reserves as established by the board of directors.

Board of Directors Established Reserves Amounts	(in thousands)
Depreciation and Obsolescence Reserve	\$ 16,387.5
Cash Available for Reserves at Year End	2,994.9
Additional funds required to fund the reserves	\$ 13,392.6

NOTE 16. CONTINGENCIES

The Company is periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. The ultimate resolution of these actions is not expected to have a material adverse effect on the Company's financial position.

NOTE 17. SALE OF PROPERTY

The Company, in 2019, sold a portion of property to the City of Upland for them to construct a replacement reservoir. The sale price was \$1,720,000 payable in installments of \$344,000 plus interest. The gain is being recognized over the term of the installment period as the payments are made. The total gain will be \$1,715,297 with \$343,059 being recognized each year as payment is made. At December 31, 2020 and December 31, 2019 the balances were as follows:

	2021	2020
Note receivable on installment sale	\$ 688,000	\$ 1,032,000
Deferred gain on sale of property	686,120	1,029,179

NOTE 18. STOCK AUCTION

The Company implemented a procedure to collect debt on past water usage bills from shareholders who were no longer receiving services through the process of a stock auction. The most recent auction was held on August 4, 2020. There were no stock auction held in 2021. Upon collecting the delinquent fees and calculated related expenses associated with the auction, the remaining funds are distributed to the delinquent shareholder or turned over to the State of California in accordance with State law.

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 18. STOCK AUCTION (continued)

In 2021, the Company was unable to locate and distribute any of unclaimed money to the past shareholders. At this point in time, the financial statements includes under accrued expenses amounts owed to respective shareholders for recent and prior year's stock auctions, a total of \$614,939 and \$614,939 for 2020 and 2021, respectively,

NOTE 19. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT

Government Entities

San Antonio Water Company received assets from government entities from the construction of the SR 30/210 freeway by Caltrans, the United States Forest Service requested construction of certain water services related assets for their purposes of which the Company was reimbursed and received title, and the Company received monies from FEMA for the repair of company assets that had been damaged by prior year storm events.

Developers

San Antonio Water Company received assets from developers of housing projects after completion. The developers installed waterlines, equipment, and other assets, which are then quitclaimed to the Company.

	2021	2020
Total Contributed Property, Plant and Equipment	\$ 2,432,257	\$ 2,432,257

NOTE 20. GROUND LEASES

The Company has ground leases with cell phone service companies and a transportation authority in order for them to set up cell phone towers and for the transportation authority to store their equipment on land owned by the Company. There are a total of 5 leases with varying payments. The following is the future lease income:

December 31,		
2022	\$	60,550
2023		61,991
2024		64,704
2025		64,704
2026		65,378
Thereafter		558,372
	\$	875,699

San Antonio Water Company
Notes to Financial Statements
December 31, 2021

NOTE 21. FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of providing the operations and maintenance and general and administrative activities has been summarized on a functional basis in the following schedule. Accordingly, the costs have been recorded to the operations or administrative services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company.

	Operations & Maintenance	General & Administrative	Total
Facility related field labor	\$ 232,989	\$	\$ 232,989
Repairs to facilities and equipment	236,709		236,709
Power-gas & electric	791,556		791,556
Customer service	82,812		82,812
Conservation	12,842		12,842
Non-facility related labor	74,397		74,397
Supplies	17,514		17,514
Depreciation/amortization	947,867		947,867
Property taxes	222,112		222,112
Water resource management	127,753		127,753
Administrative services		312,752	312,752
Payroll taxes		73,214	73,214
Worker's compensation insurance		16,151	16,151
Benefits pay (vacation, sick, etc.)		250,278	250,278
Benefits insurance		161,133	161,133
Office/IT support		54,866	54,866
Directors fees & expense		31,655	31,655
Liability insurance		35,510	35,510
Communication		41,227	41,227
Dues & publications		2,653	2,653
Outside services		12,017	12,017
Income tax expense		9,142	9,142
Accounting		73,202	73,202
Legal		187,142	187,142
Human resource expense		71,245	71,245
All other		54,475	54,475
TOTAL	<u>\$ 2,746,551</u>	<u>\$ 1,386,662</u>	<u>\$ 4,133,213</u>



San Antonio Water Company
Annual Operating & Capital Improvement Budget

Fiscal Year Ending December 31, 2022

Adopted December 1, 2021

General Manager's Message

Dear Board of Directors and Shareholders,

I am pleased to present you with the recommended budget for Fiscal Year 2022 (FY2022). We begin the year in a healthy financial position with the fiscal resources available to continue providing high quality service, continue advancing infrastructure replacement, while maintaining emergency reserves. Given the current financial health of the Company, no rate increases are projected for the foreseeable future.

As presented for FY2022, budget revenue is projected to be \$5.37M and expenditures are projected to be \$5.61M. Expenditures include all expected operating, non-operating and capital costs for the next year.

The Company's anticipated operating (non-capital) expenses total \$3.14M, an 2% decrease over the previous year's budget. The reduction is primarily a result of scaling back legal expenses directly related to Chino Basin Watermaster activity.

Staff recommends keeping Company entitlement at 13,000 acre-feet. Operating revenue is expected to decrease slightly from prior year, for a total of \$5.37M. This decrease acknowledges municipal water sales will miss entitlement due to low canyon surface water flow. Setting the entitlement at 13,000 acre-feet assumes that rainfall will not be impacted by the projected La Niña atmospheric condition again projected for the 2022 winter. La Niña conditions can reduce local rainfall. The Company currently has about 10,000 acre-feet in groundwater storage, which will help offset any reduction in rainfall in 2022.

Water sales account for 92% of the company's revenue; funding operations and a large chunk of capital projects (pipes, pumps and tanks). Remaining revenue comes from the sale of surplus property, lease income and interest income.

The Company's anticipated capital expenses total \$2.47M. Projects scheduled for 2022 include a pipeline replacement, construction of a potable water reservoir, design and preliminary work on a new well and a feasibility study for a 1.0 MGD treatment plant and financial contribution in a cloud seeding feasibility study.

In addition to replacement of capital facilities the Company is continuing a multi-year review of Company administration and operation facilities, identifying Company facility needs and how to efficiently meet those needs. Money for the facility review is expected to come from the sale of surplus property, not rates. Any construction as a result of the facility assessment is not anticipated to begin any earlier than 2023.

Our year-end review shows an approximately \$6.1M balance in the Company's capital and operating reserves. As mentioned earlier, the Company is proposing to accelerate the replacement of pipes, pumps and tanks above expected water sales revenue over the next few years. To that end, our 2022 budget relies on the use of approximately \$240k of our reserve funds for infrastructure replacement. At the end of 2022 remaining reserves available for emergency use should total about \$5.8M.

I would like to thank every staff member of SAWCo for their hard work and dedication over the last year. They are truly this company's most important asset. I remain thankful to the community for their input, both Committees for their efforts, and the full Board for providing both the vision and guidance necessary as we respond to the ever-changing challenges facing this Company.



2022 Quick Data

- Annual Entitlement..... 13,000 acre-feet
(No change from 2021)
- Total Company Shares as of January 1, 2022 6,389 shares
- Active Shares as of January 1, 2022 6,178 shares
(inactive shares are those shares currently not taking entitlement water)
- Yearly 2022 entitlement per share 2.035 acre-feet
- Total 2022 active share entitlement 12,570 acre-feet

- Estimated 2022 Water Production, by source:
 - Surface Water 4,425 acre-feet
 - Chino Groundwater Basin 1,232 acre-feet
 - Cucamonga Groundwater Basin 5,981 acre-feet
 - Six Basins Groundwater Basin 932 acre-feet
 - TOTAL 12,570 acre-feet

- Projected 2022 Revenue:
 - Shareholder \$4,931,000
 - Non-shareholder \$441,000
 - TOTAL \$5,372,000

- Projected 2022 Expenses:
 - Operations and Maintenance (\$1,774,000)
 - General Administrative (\$1,370,000)
 - TOTAL (\$3,144,000)

- Projected 2022 Capital Expenses (\$2,468,000)

- Projected 2022 Revenue minus Expenses (-\$240,000)

- Reserves:
 - Cash on Deposit as of September 2021 \$6,046,000
 - Projected CoD as of December 2021 \$6,100,000
 - Projected CoD as of December 2022 \$5,845,000

Company at a Glance

ORGANIZATIONAL

San Antonio Water Company (SAWCo) is a California mutual water company organized under California Corporations Code 14300, regulated under the United States Environmental Protection Agency (USEPA) Safe Drinking Water Act, monitored by the State of California through the Water Code & Health and Safety Code. We also report to the San Bernardino Local Agency Formation Commission (LAFCo).

The Company does not import any water. Instead we are dependent on our local San Antonio Canyon watershed and groundwater basins. Utilizing local water sources dramatically keeps costs down but also increases the risk associated with long term drought. Currently, our shareholders include most residents of the unincorporated area of San Antonio Heights, the Cities of Upland and Ontario, the Monte Vista Water District, the US Forest Service, the San Bernardino County Flood Control District, local quarries and the proud heritage of remaining local grove irrigators.

HEADCOUNT

The Company's vision is to be an organization that defines excellence in delivering high quality water in a cost-effective manner by meeting shareholder needs and entitlements. We will lead the way for water agencies in the region by developing key strategic partnerships, making maximum use of water capture and delivery facilities and technologies, and attracting high caliber employees by being a recognized employer of choice in the field.

None of this vision would be possible without an innovative, self-managed staff that has pride of ownership for their work product while providing exceptional service. This is all done currently with 9 full-time and 1 part-time employees.

Changes in 2022

- Office: One employee left the company. The job duties of that position are being evaluated for possible reclassification.
- Field: Three employees left the company. Three employees were hired. At the end of the year there was no change in head-count.

STRATEGIC PLAN

In 2015, the Company went through a strategic planning process and out of this process, the following goals were developed:

- Evaluate and Prioritize Projects for Supply Maximization
- Develop Strategic Partnerships Initiate and Further Joint Projects
- Invest in Technology
- Define SAWCo's Assets & Needs
- Develop the Workforce of the Future
- Improve Internal Relationships

In 2022 the Company plans to continue reaching towards our goals by the following actions:

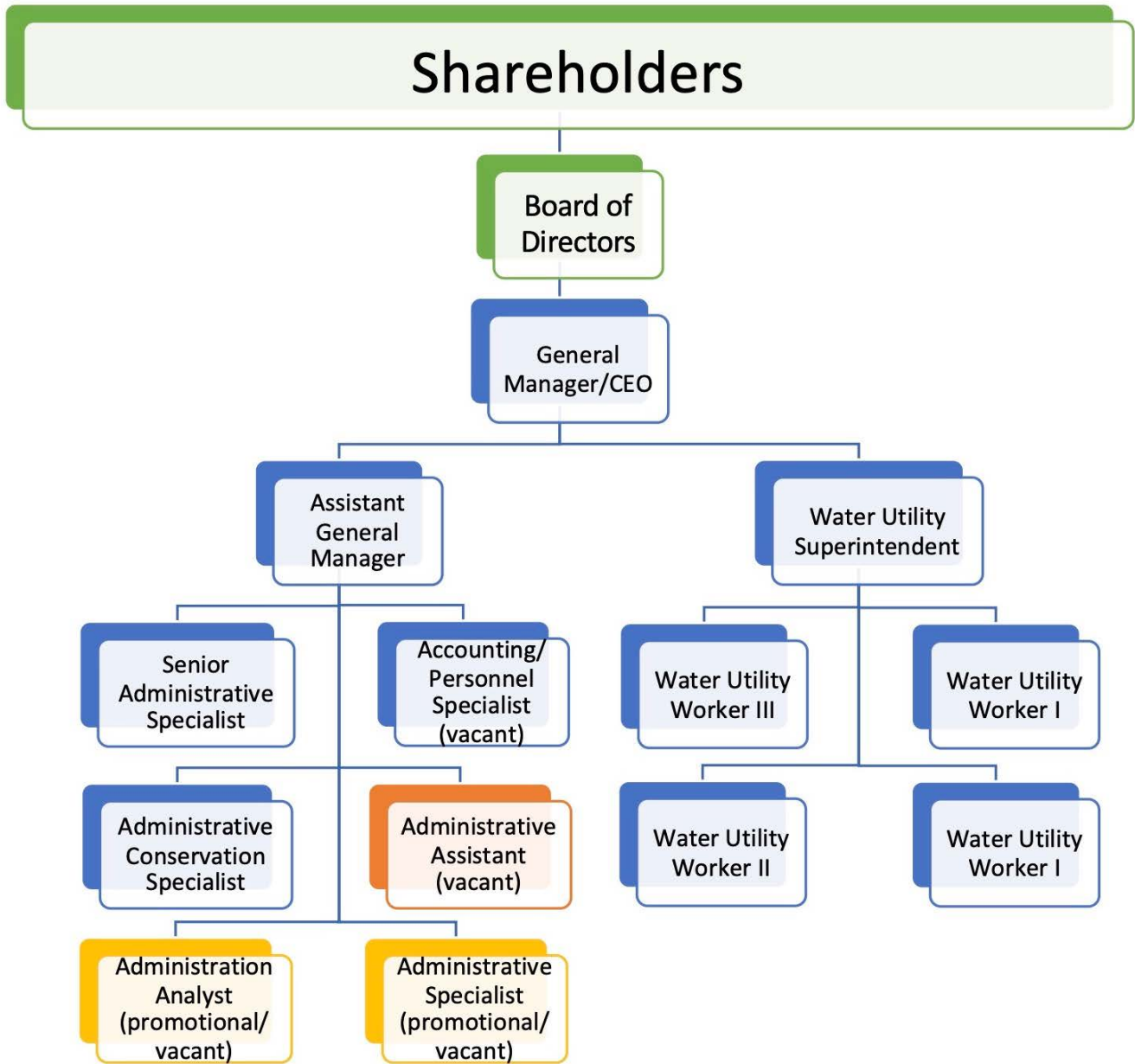
Evaluate and Prioritize Projects for Supply Maximization – Staff is completing a 2020 Water Master Plan Update. This update will evaluate and prioritize projects for supply maximization. The process will include public participation and we strongly encourage our shareholders to participate.

Develop Strategic Partnerships to Initiate and Further Joint Projects – Staff continues to reach-out and build relationships with the different shareholders. We will continue to discuss joint projects that may be beneficial to our shareholders. The Master Plan update may uncover future possibilities.

Define SAWCo's Assets & Needs – The company continues to take on additional responsibilities with limited staff and space. In order to meet these needs, staff is utilizing outside consultants and adjusting priorities. The office is currently not up to seismic code nor is it ADA compliant. To correct these deficiencies would be costly for a building that is over 90 years old. In 2015, the Board formed a committee to start the process of relocating the office and yard into one facility at a property the Company already owns. In 2022, the Company is continuing to address the limited space, safety for its employees, and functionality for its shareholders and staff.

Develop the Workforce of the Future – Management continues to provide ongoing training for current employees and assess the needs of the company. Limited advancement opportunities due to our small staff and a perceived lower benefits package compared to local public water companies continue to hinder the recruitment process. The Company is currently attempting to obtain an eligibility letter from the Federal Government which would allow us to engage CalPERS [Public Employees Retirement System] to compare actual costs and benefits. In 2020, we hired a consultant to perform a benefit and comp study to keep us competitive with the current market.

Improve Relationships – Recent public conversations have exposed a need to improve the distribution of information to our shareholders and employees. It is apparent that misinformation needs to be curtailed and corrected. The Company will conduct a public outreach campaign intended to inform and solicit feedback from our shareholders and employees. Strong leadership will help to carry the company in one direction.



San Antonio Water Company

2021 ACCOMPLISHMENTS:

- Holly Drive Reservoir, Phase II
- Replaced all residential meters with advanced metering technology, allowing rapid notification of leaks and water consumption
- Reservoir 9 pipeline replacement project
- Frankish Tunnel Outfall Improvements
- Euclid Crescent Pipeline Replacement
- Linda Drive / Lamplighter Pipeline Replacement
- Primerose Lane Pipeline Replacement
- Booster 17 Modernization
- Installation of Domestic AMI Meters
- American Water Infrastructure Act (AWIA) Resiliency and Risk Assessment
- Demolition of abandoned Booster Stations 5 and 15
- Installation of Distribution Box safety covers (Edison and Main boxes)

2022 GOALS & OBJECTIVES:

- Revise and improve standard financial reports and reporting policy
- Holly Drive Reservoir, Phase III
- Pre-design of new 1 MGD water treatment facility
- Well 19 pilot hole and full well design
- Well 31 pipeline replacement
- Pre-design of new office/yard facilities

FINANCIALS

2022 OPERATING BUDGET OVERVIEW

		2022	2021	2021	2021	2020	2019
		<u>Budget</u>	<u>Budget</u>	<u>Actual thru June</u>	<u>Projected</u>	<u>Actual</u>	<u>Actual</u>
SHAREHOLDER REVENUE							
1185	1	Domestic Water Income (Base)	\$ 300,000	\$ 301,000	\$ 115,570	\$ 290,000	\$ 224,897
1215	3	Domestic Water Income (Supplemental)	\$ 150,000	\$ 148,000	\$ 108,340	\$ 171,000	\$ 173,314
1220	4	Domestic Water Income (Tier 3)	\$ 200,000	\$ 104,000	\$ 156,212	\$ 249,000	\$ 203,813
1230	2	Domestic Water Income (Readi/Chrg)	\$ 200,000	\$ 200,000	\$ 100,620	\$ 201,000	\$ 200,337
1235	5	Domestic Water Availability Charge (WAC)	\$ 61,000	\$ 60,000	\$ 30,597	\$ 61,000	\$ 61,112
1245	6	Municipal Water Income (Base)	\$ 3,100,000	\$ 3,100,000	\$ 1,319,409	\$ 2,639,000	\$ 2,846,680
1260	8	Municipal Water Income (Supplemental)	\$ -	\$ -	\$ -	\$ -	\$ -
1268	7	Municipal Water Income (Readi/Chrg)	\$ 80,000	\$ 80,000	\$ 38,900	\$ 78,000	\$ 82,050
1274	10	Municipal Water Availability Charge (WAC)	\$ 477,000	\$ 477,000	\$ 238,432	\$ 477,000	\$ 476,686
1275	12	Misc Water Income (Base)	\$ 200,000	\$ 220,000	\$ 85,677	\$ 200,000	\$ 185,750
1276	9	Misc Water Income (Supplemental)	\$ 50,000	\$ 126,000	\$ 3,626	\$ 7,000	\$ 141,262
1280	13	Misc Water Income (Tier 3)	\$ 5,000	\$ 15,000	\$ 48	\$ -	\$ 52,194
1288	11	Misc Water Income (Readi/Chrg)	\$ 23,000	\$ 23,000	\$ 11,560	\$ 23,000	\$ 23,070
1290	14	Misc Water Availability Charge (WAC)	\$ 23,000	\$ 24,000	\$ 11,532	\$ 23,000	\$ 23,064
1295	15	Dormant Water Availability Charge (WAC)	\$ 53,000	\$ 54,000	\$ 26,096	\$ 52,000	\$ 52,347
1302	16	Meter Service Fees (Connections)	\$ -	\$ -	\$ -	\$ -	\$ 3,881
1400	35	Stock Transfer	\$ 5,000	\$ 5,000	\$ 2,610	\$ 4,000	\$ 3,510
1405	38	Capital Facilities Connection Fee	\$ -	\$ -	\$ -	\$ -	\$ 10,725
1410	26	Late/Re-establishment Fee	\$ 4,000	\$ 4,000	\$ 305	\$ 1,000	\$ 6,235
1415	27	Drought Ordinance Violation Fee	\$ -	\$ -	\$ -	\$ -	\$ -
1420	33	Return Check Fee	\$ -	\$ -	\$ 25	\$ -	\$ 325
1425	28	Broken/Missing Lock Fee	\$ -	\$ -	\$ -	\$ -	\$ -
1430	30	Stock Certificate Storage & Handling Fee	\$ -	\$ -	\$ 120	\$ -	\$ 180
TOTAL			\$ 4,931,000	\$ 4,941,000	\$ 2,249,678	\$ 4,476,000	\$ 5,212,798
NON-SHAREHOLDER REVENUE							
1635	21	Development Plan Check Fee	\$ -	\$ -	\$ -	\$ -	\$ -
1725	23	Miscellaneous Income	\$ 2,000	\$ 2,000	\$ 6,269	\$ 6,000	\$ 1,684
1728	31	Plans & Spec Fee	\$ -	\$ -	\$ -	\$ 25	\$ -
1730	24	Construction Permit & Inspection	\$ -	\$ -	\$ -	\$ -	\$ -
1750	32	Service/Litigation Agreements	\$ -	\$ -	\$ 374	\$ 1,000	\$ 565
1753	18	Ground Lease Income	\$ 75,000	\$ 54,000	\$ 33,455	\$ 70,000	\$ 57,684
1755	17	Interest Income	\$ 20,000	\$ 90,000	\$ 10,149	\$ 16,000	\$ 79,848
1786		Unrealized Gain on 457B Investment	\$ -	\$ -	\$ -	\$ -	\$ 557
1875	22	Overhead Income	\$ -	\$ -	\$ -	\$ 852	\$ 1,322
37		Gain on Sale of Assets	\$ 344,000	\$ 344,000	\$ -	\$ 344,000	\$ 345,759
Subtotal:			\$ 441,000	\$ 490,000	\$ 50,247	\$ 437,000	\$ 487,419
DEPRECIATION & OBSOLESCENCE REVENUE							
1300	36	Water Sales from Stored G. W. [D&O Reserves]	\$ -	\$ -	\$ 180,000	\$ 180,000	\$ -
Subtotal:			\$ -	\$ -	\$ 180,000	\$ 180,000	\$ -
Revenue Total:			\$ 5,372,000	\$ 5,431,000	\$ 2,479,925	\$ 5,093,000	\$ 5,803,654

	2022	2021	2021	2021	2020	2019
	Budget	Budget	Actual thru June	Projected	Actual	Actual

FACILITIES & O&M EXPENSES

Operating Facilities

2175 20	Facility Related Field Labor	\$ 260,000	\$ 225,000	\$ 110,871	\$ 218,000	\$ 232,704	\$ 208,615
2235 21	Repairs to Facilities and Equipment	\$ 300,000	\$ 300,000	\$ 158,986	\$ 323,000	\$ 374,939	\$ 39,929
2265 22	Power-Gas & Electric (utilities)	\$ 650,000	\$ 600,000	\$ 262,199	\$ 630,000	\$ 627,010	\$ 611,563
Operating Facilities Total:		\$ 1,210,000	\$ 1,125,000	\$ 532,057	\$ 1,171,000	\$ 1,234,653	\$ 860,106

Operating Activities

2475 18	Customer Services/Billing	\$ 84,000	\$ 85,000	\$ 47,219	\$ 82,000	\$ 81,500	\$ 70,007
2498 19	Conservation Activities	\$ 16,000	\$ 20,000	\$ 8,870	\$ 16,000	\$ 7,587	\$ 21,565
Operating Activities Total:		\$ 100,000	\$ 105,000	\$ 56,089	\$ 98,000	\$ 89,087	\$ 91,572

Other Operating Expense

2205 24	Non-Facility Related Labor	\$ 70,000	\$ 75,000	\$ 28,177	\$ 56,000	\$ 69,173	\$ 76,155
2210 25	O&M - All Other	\$ 4,000	\$ 3,800	\$ 4,530	\$ 5,000	\$ 2,835	\$ 7,402
2280 26	Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2295 23	Supplies (Inventory & Tools Expense)	\$ 10,000	\$ 10,000	\$ 6,166	\$ 15,000	\$ 9,068	\$ 7,316
2715 28	Property Taxes	\$ 210,000	\$ 220,000	\$ 103,791	\$ 206,000	\$ 206,135	\$ 216,650
2805 27	Wtr. Resource Mgmt. (Basin Assm'ts)	\$ 170,000	\$ 200,000	\$ 32,255	\$ 168,000	\$ 167,200	\$ 127,134
2830	Loss on Disposal of Asset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,899
2850 30	Inventory Shrinkage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Expense Total:		\$ 464,000	\$ 508,800	\$ 174,919	\$ 450,000	\$ 454,410	\$ 434,656
O & M Expense Total:		\$ 1,774,000	\$ 1,738,800	\$ 763,065	\$ 1,719,000	\$ 1,778,150	\$ 1,386,334

GENERAL ADMINISTRATIVE EXPENSES

Personnel

2115 2	Administrative Services	\$ 300,000	\$ 290,000	\$ 143,615	\$ 279,000	\$ 283,521	\$ 293,365
2130 3	Development/Water Svc App	\$ 1,000	\$ 1,000	\$ -	\$ -	\$ 240	\$ 502
2325 13	Taxes - Payroll (office and field)	\$ 80,000	\$ 80,000	\$ 39,713	\$ 79,000	\$ 70,908	\$ 68,841
2355 4	Worker's Compensation Insurance	\$ 15,000	\$ 15,000	\$ 4,484	\$ 15,000	\$ 15,053	\$ 15,798
2385 5	Benefit Pay (Vac., Sick, Etc.)	\$ 195,000	\$ 185,000	\$ 74,923	\$ 184,000	\$ 179,330	\$ 158,122
2415 6	Benefit Insurance (Pension, Life, Medical, Dental, Vision)	\$ 263,000	\$ 250,000	\$ 123,762	\$ 247,000	\$ 230,995	\$ 221,478
2430 7	Benefit Administrative Services	\$ 2,000	\$ 3,000	\$ 1,000	\$ 1,000	\$ 1,185	\$ 1,197
Personnel Total:		\$ 856,000	\$ 824,000	\$ 387,497	\$ 805,000	\$ 781,232	\$ 759,303

Other

2445 9	Office/ IT Support	\$ 70,000	\$ 63,000	\$ 21,087	\$ 42,000	\$ 62,552	\$ 72,064
2505 1	Directors Fees & Expenses	\$ 34,000	\$ 34,000	\$ 18,211	\$ 39,000	\$ 32,008	\$ 33,568
2535 11	Liability Insurance (Non-empl. benef.)	\$ 30,000	\$ 30,000	\$ 35,510	\$ 36,000	\$ 29,894	\$ 29,928
2595 14	Communications	\$ 40,000	\$ 40,000	\$ 27,140	\$ 63,000	\$ 46,688	\$ 66,245
2625 15	Dues & Subscriptions	\$ 3,000	\$ 3,000	\$ 1,278	\$ 2,000	\$ 2,758	\$ 3,396
2655 10	Outside Services	\$ 30,000	\$ 30,000	\$ 10,631	\$ 39,000	\$ 4,378	\$ 18,340
2745 12	Taxes - Income	\$ 12,000	\$ 14,000	\$ 11,856	\$ 12,000	\$ 12,000	\$ 11,905
2775 8	Accounting Expense	\$ 75,000	\$ 70,000	\$ 46,119	\$ 70,000	\$ 72,366	\$ 61,650
2276 8	Legal Expense	\$ 150,000	\$ 250,000	\$ 115,559	\$ 231,000	\$ 242,013	\$ 196,184
2790 16	Human Resource Expense	\$ 40,000	\$ 45,000	\$ 21,649	\$ 33,000	\$ 58,604	\$ 44,381
2865 17	All Other	\$ 30,000	\$ 35,000	\$ 6,540	\$ 13,000	\$ 27,512	\$ 31,636
Other Total:		\$ 514,000	\$ 614,000	\$ 315,580	\$ 580,000	\$ 590,771	\$ 569,297
G. & A. Expense Total:		\$ 1,370,000	\$ 1,438,000	\$ 703,076	\$ 1,385,000	\$ 1,372,003	\$ 1,328,600

Capital Expenditure

Facilities	\$ 2,258,000	\$ 3,156,000	\$ 2,860,649	\$ 3,190,000	\$ 1,079,637	\$ 1,769,544
Equipment/Studies/Reports	\$ 210,000	\$ 255,000	\$ 80,000	\$ 120,000	\$ -	\$ -
CIP Total:	\$ 2,468,000	\$ 3,411,000	\$ 2,940,649	\$ 3,310,000	\$ 1,079,637	\$ 1,769,544

Total Revenue:	\$ 5,372,000	\$ 5,431,000	\$ 2,479,925	\$ 5,093,000	\$ 5,803,654	\$ 5,258,851
Total Expenses excluding CIP:	\$ 3,144,000	\$ 3,176,800	\$ 1,466,142	\$ 3,104,000	\$ 3,150,154	\$ 2,714,935
Total Expenses including CIP:	\$ 5,612,000	\$ 6,587,800	\$ 4,406,791	\$ 6,414,000	\$ 4,229,790	\$ 4,484,478
Net Income without D&O funds:	\$ 2,228,000	\$ 2,254,200	\$ 833,784	\$ 1,809,000	\$ 2,545,021	\$ 2,543,916
Net Income with D&O funds:	\$ 2,228,000	\$ 2,254,200	\$ 1,013,784	\$ 1,989,000	\$ 2,653,501	\$ 2,543,916

2565 29	Depreciation	\$ 950,000	\$ 901,000	\$ 459,714	\$ 911,000	\$ 917,344	\$ 881,254
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Net income excluding Capital Expenditures less Depreciation	\$ 1,278,000	\$ 1,353,200	\$ 554,070	\$ 1,078,000	\$ 1,736,156	\$ 1,662,662
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	2022 <u>Budget</u>	2021 <u>Budget</u>	2021 <u>Actual thru June</u>	2021 <u>Projected</u>	2020 <u>Actual</u>	2019 <u>Actual</u>
Net income including Capital Expenditures less Depreciation	\$ (1,190,000)	\$ (2,057,800)	\$ (2,386,579)	\$ (2,232,000)	\$ 656,520	\$ (106,881)
Net income including Capital Expenditures	\$ (240,000)	\$ (1,156,800)	\$ (2,106,865)	\$ (1,501,000)	\$ 1,465,384	\$ 774,373
Net income including Capital Expenditures less NSR	\$ (681,000)	\$ (1,646,800)	\$ (2,157,112)	\$ (1,938,000)	\$ 983,007	\$ 286,954

2022 MONTHLY REVENUE VS EXPENSES

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Projected Revenue	\$ 308,099	\$ 313,549	\$ 278,499	\$ 283,749	\$ 435,299	\$ 600,549	\$ 606,599	\$ 553,249	\$ 506,599	\$ 414,949	\$ 371,999	\$ 695,049	\$ 5,368,188
Projected Operating Expenses	\$ (221,097)	\$ (203,592)	\$ (341,119)	\$ (243,592)	\$ (218,732)	\$ (233,522)	\$ (233,592)	\$ (248,892)	\$ (258,432)	\$ (255,452)	\$ (315,864)	\$ (370,117)	\$ (3,144,000)
Projected CIP Expenses	\$ (30,000)	\$ (73,000)	\$ (302,500)	\$ (200,500)	\$ (110,000)	\$ (233,500)	\$ (180,000)	\$ (326,500)	\$ (313,000)	\$ (309,000)	\$ (180,000)	\$ -	\$ (2,258,000)
Projected Delta	\$ 57,002	\$ 36,957	\$ (365,120)	\$ (160,343)	\$ 106,567	\$ 133,527	\$ 193,007	\$ (22,143)	\$ (64,833)	\$ (149,503)	\$ (123,865)	\$ 324,932	
Water Sales Revenue	\$ 295,932	\$ 301,382	\$ 266,332	\$ 271,582	\$ 423,132	\$ 588,382	\$ 594,432	\$ 541,082	\$ 494,432	\$ 402,782	\$ 359,832	\$ 338,882	\$ 4,878,184
Non-Water Sales Revenue	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 12,167	\$ 356,167	\$ 490,004
Personel Expenses	\$ (84,167)	\$ (67,592)	\$ (67,592)	\$ (67,592)	\$ (67,732)	\$ (67,592)	\$ (67,592)	\$ (67,592)	\$ (67,592)	\$ (69,452)	\$ (67,592)	\$ (93,917)	\$ (856,000)
Other Expenses	\$ (37,203)	\$ (36,273)	\$ (68,800)	\$ (66,273)	\$ (36,273)	\$ (41,203)	\$ (36,273)	\$ (36,573)	\$ (41,113)	\$ (36,273)	\$ (36,273)	\$ (41,473)	\$ (514,000)
Operating Expenses	\$ (99,727)	\$ (99,727)	\$ (204,727)	\$ (109,727)	\$ (114,727)	\$ (124,727)	\$ (129,727)	\$ (144,727)	\$ (149,727)	\$ (149,727)	\$ (212,000)	\$ (234,727)	\$ (1,774,000)
Capital Expenses	\$ (30,000)	\$ (73,000)	\$ (302,500)	\$ (200,500)	\$ (110,000)	\$ (233,500)	\$ (180,000)	\$ (326,500)	\$ (313,000)	\$ (309,000)	\$ (180,000)	\$ -	\$ (2,258,000)
	\$ 57,002	\$ 36,957	\$ (365,120)	\$ (160,343)	\$ 106,567	\$ 133,527	\$ 193,007	\$ (22,143)	\$ (64,833)	\$ (149,503)	\$ (123,865)	\$ 324,932	\$ (33,812)

2022 OPERATING BUDGET REVENUE

		2021												TOTAL
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
SHAREHOLDER REVENUE														
1185	1 Domestic Water Income (Base)	\$ 14,200	\$ 15,400	\$ 14,200	\$ 14,700	\$ 26,500	\$ 33,200	\$ 35,500	\$ 37,900	\$ 37,900	\$ 28,400	\$ 23,700	\$ 19,000	\$ 300,600
1215	3 Domestic Water Income (Supplemental)	\$ 7,000	\$ 7,600	\$ 7,000	\$ 7,200	\$ 13,000	\$ 16,300	\$ 17,400	\$ 18,600	\$ 18,600	\$ 14,000	\$ 11,600	\$ 9,300	\$ 147,600
1220	4 Domestic Water Income (Tier 3)	\$ 4,900	\$ 5,400	\$ 4,900	\$ 5,100	\$ 9,200	\$ 11,500	\$ 12,300	\$ 13,200	\$ 13,200	\$ 9,900	\$ 8,200	\$ 6,600	\$ 104,400
1230	2 Domestic Water Income (Readi/Chrg)	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 16,700	\$ 200,400
1235	5 Domestic Water Availability Charge (WAC)	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 60,000
1245	6 Municipal Water Income (Base)	\$ 173,600	\$ 173,600	\$ 144,000	\$ 144,000	\$ 264,800	\$ 412,900	\$ 412,900	\$ 353,700	\$ 309,200	\$ 238,700	\$ 209,100	\$ 202,000	\$ 3,038,500
1260	8 Municipal Water Income (Supplemental)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1268	7 Municipal Water Income (Readi/Chrg)	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 6,650	\$ 79,800
1276	9 Municipal Water Availability Charge (WAC)	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 39,732	\$ 476,784
1274	10 Misc Water Income (Base)	\$ 7,700	\$ 10,100	\$ 7,700	\$ 11,300	\$ 21,100	\$ 25,200	\$ 27,800	\$ 28,400	\$ 27,000	\$ 22,500	\$ 18,700	\$ 12,700	\$ 220,200
1275	12 Misc Water Income (Supplemental)	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 126,000
1280	13 Misc Water Income (Tier 3)	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 15,000
1288	11 Misc Water Income (Readi/Chrg)	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 22,800
1290	14 Misc Water Availability Charge (WAC)	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 24,000
1295	15 Dormant Water Availability Charge (WAC)	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 54,000
1302	16 Meter Service Fees (Connections)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1400	35 Stock Transfer	\$ -	\$ 750	\$ -	\$ 750	\$ -	\$ 750	\$ -	\$ 750	\$ -	\$ 750	\$ -	\$ 750	\$ 4,500
1405	38 Capital Facilities Connection Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1410	26 Late/Re-establishment Fee	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 3,600
1415	27 Drought Ordinance Violation Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1420	33 Return Check Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1425	28 Broken/Missing Lock Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1430	30 Stock Certificate Storage & Handling Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Subtotal:	\$ 295,932	\$ 301,382	\$ 266,332	\$ 271,582	\$ 423,132	\$ 588,382	\$ 594,432	\$ 541,082	\$ 494,432	\$ 402,782	\$ 359,832	\$ 338,882	\$ 4,878,184
NON-SHAREHOLDER REVENUE														
1635	21 Development Plan Check Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1725	23 Miscellaneous Income	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 167	\$ 2,004.00
1728	31 Plans & Spec Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1730	24 Construction Permit & Inspection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1750	32 Service/Litigation Agreements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1753	18 Ground Lease Income	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 54,000.00
1755	17 Interest Income	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 90,000.00
1875	22 Overhead Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	Gain on Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344,000	\$ 344,000.00
	Subtotal:	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 12,167.00	\$ 356,167.00	\$ 490,004.00
DEPRECIATION & OBSOLESCENCE REVENUE														
1300	36 Water Sales from Stored G. W. [D&O Reserves]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Subtotal:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Revenue Total:	\$ 308,099	\$ 313,549	\$ 278,499	\$ 283,749	\$ 435,299	\$ 600,549	\$ 606,599	\$ 553,249	\$ 506,599	\$ 414,949	\$ 371,999	\$ 695,049	\$ 5,368,188

2022 OPERATING BUDGET EXPENSES

		2020											TOTAL		
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov		Dec	
FACILITIES & O&M EXPENSES															
Operating Facilities															
2175	20 Facility Related Field Labor	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 21,666.67	\$ 260,000.00	
2235	21 Repairs to Facilities and Equipment	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 300,000.00	
2265	22 Power-Gas & Electric (utilities)	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 40,000.00	\$ 45,000.00	\$ 55,000.00	\$ 60,000.00	\$ 75,000.00	\$ 80,000.00	\$ 80,000.00	\$ 85,000.00	\$ 60,000.00	\$ 650,000.00	
Operating Facilities Total:		\$ 76,666.67	\$ 76,666.67	\$ 76,666.67	\$ 86,666.67	\$ 91,666.67	\$ 101,666.67	\$ 106,666.67	\$ 121,666.67	\$ 126,666.67	\$ 126,666.67	\$ 111,666.67	\$ 106,666.67	\$ 1,210,000.00	
Operating Activities															
2475	18 Customer Services/Billing	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 84,000.00	
2498	19 Conservation Activities	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 1,333.33	\$ 16,000.00	
Operating Activities Total:		\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 8,333.33	\$ 100,000.00	
Other Operating Expense															
2205	24 Non-Facility Related Labor	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 70,000.00	
2210	25 O&M - All Other	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 333.33	\$ 4,000.00	
2280	26 Purchased Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2295	23 Supplies (Inventory & Tools Expense)	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 833.33	\$ 10,000.00	
2715	28 Property Taxes	\$ -	\$ -	\$ 105,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,000.00	
2805	27 Wtr. Resource Mgmt. (Basin Assm'ts)	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 7,727.27	\$ 85,000.00	\$ 7,727.27	\$ 170,000.00	
2850	30 Inventory Shrinkage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Operating Expense Total:		\$ 14,727.27	\$ 14,727.27	\$ 119,727.27	\$ 14,727.27	\$ 14,727.27	\$ 14,727.27	\$ 14,727.27	\$ 14,727.27	\$ 14,727.27	\$ 14,727.27	\$ 14,727.27	\$ 92,000.00	\$ 119,727.27	\$ 464,000.00
O & M Expense Total:		\$ 99,727.27	\$ 99,727.27	\$ 204,727.27	\$ 109,727.27	\$ 114,727.27	\$ 124,727.27	\$ 129,727.27	\$ 144,727.27	\$ 149,727.27	\$ 149,727.27	\$ 212,000.00	\$ 234,727.27	\$ 1,774,000.00	
GENERAL ADMINISTRATIVE EXPENSES															
Personnel															
2115	2 Administrative Services	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 300,000.00	
2130	3 Development/Water Svc App	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 83.33	\$ 1,000.00	
2325	13 Taxes - Payroll (office and field)	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 6,666.67	\$ 80,000.00	
2355	4 Worker's Compensation Insurance	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 1,250.00	\$ 15,000.00	
2385	5 Benefit Pay (Vac., Sick, Etc.)	\$ 29,250.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 12,675.00	\$ 39,000.00	\$ 195,000.00	
2415	6 Benefit Insurance (Pension, Life, Medical, Dental,Vision)	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 21,916.67	\$ 263,000.00	
2430	7 Benefit Administrative Services	\$ -	\$ -	\$ -	\$ -	\$ 140.00	\$ -	\$ -	\$ -	\$ -	\$ 1,860.00	\$ -	\$ -	\$ 2,000.00	
Personnel Total:		\$ 84,166.67	\$ 67,591.67	\$ 67,591.67	\$ 67,591.67	\$ 67,731.67	\$ 67,591.67	\$ 67,591.67	\$ 67,591.67	\$ 67,591.67	\$ 69,451.67	\$ 67,591.67	\$ 93,916.67	\$ 856,000.00	
Other															
2445	9 Office/IT Support	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 5,833.33	\$ 70,000.00	
2505	1 Directors Fees & Expenses	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 2,833.33	\$ 34,000.00	
2535	11 Liability Insurance (Non-empl. benft.)	\$ -	\$ -	\$ -	\$ 30,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000.00	
2595	14 Communications	\$ 2,000.00	\$ 2,000.00	\$ 6,000.00	\$ 2,000.00	\$ 2,000.00	\$ 6,000.00	\$ 2,000.00	\$ 2,000.00	\$ 6,000.00	\$ 2,000.00	\$ 2,000.00	\$ 6,000.00	\$ 40,000.00	
2625	15 Dues & Subscriptions	\$ 930.00	\$ -	\$ -	\$ -	\$ -	\$ 930.00	\$ -	\$ 300.00	\$ 840.00	\$ -	\$ -	\$ -	\$ 3,000.00	
2655	10 Outside Services	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 30,000.00	
2745	12 Taxes - Income	\$ -	\$ -	\$ 10,800.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200.00	
2775	8 Accounting Expense	\$ 4,772.73	\$ 4,772.73	\$ 22,500.00	\$ 4,772.73	\$ 4,772.73	\$ 4,772.73	\$ 4,772.73	\$ 4,772.73	\$ 4,772.73	\$ 4,772.73	\$ 4,772.73	\$ 4,772.73	\$ 75,000.00	
2276	8 Legal Expense	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 150,000.00	
2790	16 Human Resource Expense	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 40,000.00	
2865	17 All Other	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 30,000.00	
Other Total:		\$ 37,202.73	\$ 36,272.73	\$ 68,800.00	\$ 66,272.73	\$ 36,272.73	\$ 41,202.73	\$ 36,272.73	\$ 36,572.73	\$ 41,112.73	\$ 36,272.73	\$ 36,272.73	\$ 41,472.73	\$ 514,000.00	
G. & A. Expense Total:		\$ 121,369.39	\$ 103,864.39	\$ 136,391.67	\$ 133,864.39	\$ 104,004.39	\$ 108,794.39	\$ 103,864.39	\$ 104,164.39	\$ 108,704.39	\$ 105,724.39	\$ 103,864.39	\$ 135,389.39	\$ 1,370,000.00	
Total Expenses:		\$ 221,096.67	\$ 203,591.67	\$ 341,118.94	\$ 243,591.67	\$ 218,731.67	\$ 233,521.67	\$ 233,591.67	\$ 248,891.67	\$ 258,431.67	\$ 255,451.67	\$ 315,864.39	\$ 370,116.67	\$ 3,144,000.00	

2022 OPERATING BUDGET CAPITAL IMPROVEMENTS

	DRAFT 2022 CIP												TOTAL
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Domestic Water System													
Holly Drive Tank, Phase III		\$ 30,000	\$ 30,000	\$ 30,000		\$ 130,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 130,000	\$ 130,000		\$ 900,000
SCADA PLC Controller Replacement			\$ 40,000	\$ 40,000	\$ 40,000								\$ 120,000
Cucamonga Crosswall Enviro Mitigation				\$ 50,000				\$ 23,000					\$ 73,000
Site 19 Well test hole	\$ 30,000	\$ 30,000		\$ 60,000	\$ 60,000	\$ 60,000							\$ 240,000
1.0 MGD Treatment Plant		\$ 12,500	\$ 12,500						\$ 50,000	\$ 50,000	\$ 50,000		\$ 175,000
Total	\$ 30,000	\$ 72,500	\$ 82,500	\$ 180,000	\$ 100,000	\$ 190,000	\$ 140,000	\$ 163,000	\$ 190,000	\$ 180,000	\$ 180,000	\$ -	\$ 1,508,000
Irrigation System													
SCADA PLC Controller Replacement						\$ 40,000	\$ 40,000	\$ 40,000					\$ 120,000
Well 31 Pipeline Relocation/Replacement			\$ 20,000	\$ 20,000	\$ 10,000			\$ 123,000	\$ 123,000	\$ 124,000			\$ 420,000
Total	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ 10,000	\$ 40,000	\$ 40,000	\$ 163,000	\$ 123,000	\$ 124,000	\$ -	\$ -	\$ 540,000
Total CIP + Equipment + Reports	\$ 30,000	\$ 73,000	\$ 302,500	\$ 200,500	\$ 110,000	\$ 233,500	\$ 180,000	\$ 326,500	\$ 313,000	\$ 309,000	\$ 180,000	\$ -	\$ 2,258,000

Design/Engineering
Construction

2022 OPERATING BUDGET EQUIPMENT/STUDIES/REPORTS

		DRAFT 2022 EQUIPMENT												TOTAL
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
#	Equipment Purchases													
1	Computers						\$ 3,000							\$ 3,000
2	Misc. Hand Tools for Trucks		\$ 500		\$ 500		\$ 500		\$ 500					\$ 2,000
3	Operations Trucks (F150 and F350)			\$ 200,000										\$ 200,000
	Total	\$ -	\$ 500	\$ 200,000	\$ 500	\$ -	\$ 3,500	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 205,000

		DRAFT 2021 STUDIES AND REPORTS												TOTAL
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
#	Studies and Reports													
	SAWPA Cloud Seeding Feasibility Study									\$ 5,000				\$ 5,000
	Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ 5,000

CAPITAL IMPROVEMENTS

Project Title: **Holly Drive Tank, Phase III**

Total Budget: **\$900,000**

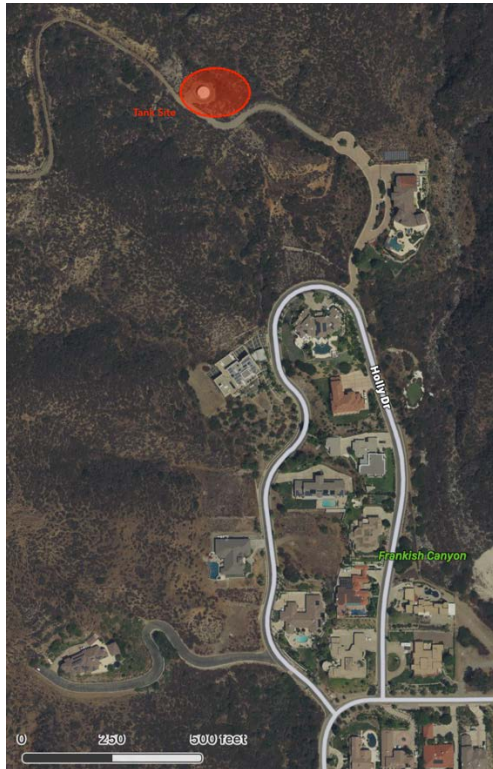
Engineering: \$90,000

Tank Construction: \$810,000

Schedule:

Construction: June 2022 - November 2022

Location:



Justification: Provide an additional 120,000-gallon storage capacity to meet operational storage, emergency storage and fire flow requirements. This will complete the Holly Drive Tank Site Improvements with a final storage amount of 240,000 gallons. Phase I was construction of a new tank pad site and retaining wall, Phase II was construction of a 120,000-gallon steel tank and abandonment of the existing 60,000-gallon steel tank.

Project Title: **SCADA PLC Controller Replacement**

Total Budget: **\$40,000**

Engineering: \$0

Construction: \$120,000

Schedule:

Installation: March - May 2022

Location: System Wide

Justification: A water system is controlled in-part through the System Control and Data Acquisition (SCADA) computer network. Communications occur between the central control server and Programmable Logic Controllers (PLCs) located at each facility. PLCs contain instructions on site specific activities ranging from reservoir water levels, chlorination levels and site security alarms. The Company's current PLC inventory contains almost 40 PLCs of differing electronics from different companies programmed by different people, without the benefit of standardization or documentation retained by the Company.

Staff is proposing the modernization of Company PLCs on a multi-year basis, replacing two to four per year. Replacement will include standardization of instruction sets and documentation of each PLC's programming, input and output.

Project Title: **Cucamonga Crosswall Environmental Mitigation, Year 4 of 5**
Total Budget: **\$73,000**
Maintenance: \$73,000

Schedule:

Maintenance: April & August 2022

Location:



Justification: As a condition of the Cucamonga Crosswalls repair project, the Company committed to conduct mitigation and associated environmental monitoring for a period of no less than five years. This commitment was a condition of the California Department of Fish and Wildlife Streambed Alteration Agreement.

The mitigation includes yearly removal of invasive plant species and seeding of native plant species. Mitigation will occur in the late winter-early spring months. The intent is to provide enough time for native and invasive seed to germinate but not establish strong roots or go to seed.

Project Title: **Well Site 19**

Total Budget: **\$2,500,000**

Engineering: \$500,000 (\$330k reserved in 2021) (\$25,000 in 2022)

Construction: \$2,000,000 (\$150,000 in 2022)

Schedule:

Engineering: ~~June 2021~~ January 2022 – ~~March~~ November 2022

Bidding: ~~June~~ July early 2023

Construction: ~~October 2022 – February 2023~~ mid to late 2023

Location:



Justification: The 2008 Master Plan recommended a new well to meet supply requirements. Construct a new well at Site 19 was identified in the 2017 Master Plan as a high priority project.

Staff is proposing the design and construction of a pilot hole and full well design in 2022. The pilot hole is intended to provide hydrogeologic information regarding material and estimated yield of proposed production well.

Project Title: **1.0 MGD Treatment Plant**

Total Budget: **\$1,500,000**

Engineering: \$225,000 (\$175,000 study and design proposed for 2022)

Construction: \$1,275,000 (proposed for 2023)

Schedule:

Engineering: 2022

Construction: 2023

Likely Location: Retired MIOX Building at Forebay



Justification:

The Company's main irrigation system primarily receives water from surface diversions in the San Antonio Canyon. Most of the irrigation water is provided to the City of Upland's treatment plant located just below the San Antonio Canyon dam. The city's treatment plant has a minimum operating limit of 1.0 MGD. This restriction makes it difficult for the City to receive their full entitlement of SAWCO water when canyon flows seasonally dip and in extended periods of drought.

The proposed 1.0 MGD treatment plant would be able to continue producing drinking water when the City's plant shuts down due to low flow. Estimates are that in 2021 this treatment plant could have produced an additional 260 acre-feet or about \$77,000 worth of water sales.

Project Title: **Irrigation SCADA PLC Controller Replacement**

Total Budget: **\$120,000**

Installation: \$120,000

Schedule:

Installation: June - August 2022

Location: System Wide

Justification: A water system is controlled in-part through the System Control and Data Acquisition (SCADA) computer network. Communications occur between the central control server and Programmable Logic Controllers (PLCs) located at each facility. PLCs contain instructions on site specific activities ranging from reservoir water levels, chlorination levels and site security alarms. The Company's current PLC inventory contains 12 PLCs, with differing electronics from different companies programmed by different people, without the benefit of standardization or documentation retained by the Company.

Staff is proposing the modernization of Company PLCs on a multi-year basis, replacing two to four per year. Replacement will include standardization of instruction sets and documentation of each PLC's programming, input and output.

Project Title: Well 31 Pipeline Relocation/Replacement

Total Budget: **\$420,000 (1,400 LF x \$300/LF)**

Soft Costs (Engineering, Permitting, Easements, Inspection, Testing): \$63,000 (15% of project cost)

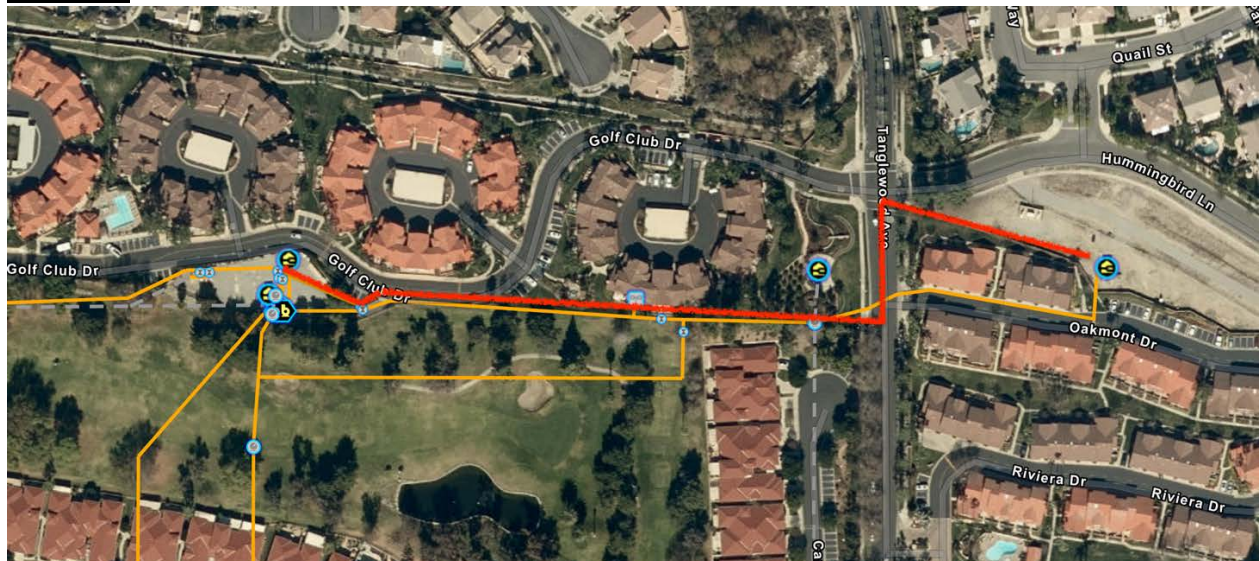
Construction: \$357,000 (85% of project cost)

Schedule:

Design: March 2022 – May 2022

Construction: August 2022 – October 2022

Location:



Justification:

Replace approximately 1,400 linear feet of 14" pipeline from Well 31 delivering water to facilities at Golf Club Drive along backside of homes and within Upland Hills Country Club waterline easement. Abandon aged pipeline. The current steel pipeline was installed before 1976 and has exceeded its useful life. Identified by staff as a high maintenance pipeline.

ENTITLEMENT PROJECTIONS

		2022 Projections												Entitlement
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	
San Antonio Heights	Projected Monthly Delivery	60	65	60	62	112	140	150	160	160	120	100	80	
	Projected Cumulative Delivery	60	125	185	247	359	499	649	809	969	1,089	1,189	1,269	= 1,269
City of Upland	Projected Monthly Delivery	500	500	400	400	800	1,300	1,300	1,100	950	720	620	596	
	Projected Cumulative Delivery	500	1,000	1,400	1,800	2,600	3,900	5,200	6,300	7,250	7,970	8,590	9,186	= 9,186
Monte Vista Water District	Projected Monthly Delivery	48	48	48	48	52	52	52	52	52	48	48	48	
	Projected Cumulative Delivery	48	96	144	192	244	296	348	400	452	500	548	596	= 672
City of Ontario	Projected Monthly Delivery	38	38	38	38	42	42	42	42	42	38	38	38	
	Projected Cumulative Delivery	38	76	114	152	194	236	278	320	362	400	438	476	= 601
Holiday Rock Company	Projected Monthly Delivery	20	20	20	20	24	25	30	30	30	20	20	10	
	Projected Cumulative Delivery	20	40	60	80	104	129	159	189	219	239	259	269	= 269
Red Hills Golf Course	Projected Monthly Delivery	8	15	8	20	45	55	60	60	55	50	40	30	
	Projected Cumulative Delivery	8	23	31	51	96	151	211	271	326	376	416	446	= 444
Red Hills HOA	Projected Monthly Delivery	1	1	1	1	1	2	2	2	2	2	1	1	
	Projected Cumulative Delivery	1	2	3	4	5	7	9	11	13	15	16	17	= 20
Minor Irrigators	Projected Monthly Delivery	1	2	1	1	6	8	8	10	10	8	6	4	
	Projected Cumulative Delivery	1	3	4	5	11	19	27	37	47	55	61	65	= 102
COMPANY TOTAL (EX. INACTIVE)	Projected Monthly Delivery	676	689	576	590	1,082	1,624	1,644	1,456	1,301	1,006	873	807	
	Projected Cumulative Consumption	676	1,365	1,941	2,531	3,613	5,237	6,881	8,337	9,638	10,644	11,517	12,324	
	Straight Line Mnthly Ent	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	1,047.56	
	Cumulative Mnthly Ent	1,048	2,095	3,143	4,190	5,238	6,285	7,333	8,380	9,428	10,476	11,523	12,571	
	Active Share Ent	12,571	12,571	12,571	12,571	12,571	12,571	12,571	12,571	12,571	12,571	12,571	12,571	

		Projected Production												Entitlement
Gravity		300	600	600	600	600	400	300	200	100	100	100	100	
	Gravity Cumulative	300	900	1500	2100	2700	3100	3400	3600	3700	3800	3900	4000	= 4,425
Chino							100	100	100	100	100	100	100	
	Chino Cumulative	0	0	0	0	0	100	200	300	400	500	600	700	= 1,232
Cucamonga		200	200	300	600	600	700	700	700	600	600	400	400	
	Cucamonga Cumulative	200	400	700	1300	1900	2600	3300	4000	4600	5200	5600	6000	= 5,981
Six Basins		80	80	80	80	80	80	90	100	100	90	80	80	
	Six Basins Cumulative	80	160	240	320	400	480	570	670	770	860	940	1020	= 932

Agenda Item No. 5B

Item Title: Stock Auction November - 2022

Purpose:

Recommend approving timeline for a proposed 2022 stock auction in November.

Issue:

Disposition of personal property (shareholder’s stock) in order to collect on bad debt is governed by the Commercial Code to be “commercially reasonable.”

Managers Recommendation:

That the AFC recommend the Board approve the proposed stock auction and timeline as presented.

Background:

There are currently 3 shareholder’s stock certificates to be auctioned off for a total of .75 shares. This will bring the accounts current and future stock auctions continuing on year to year basis as needed.

Below is a timeline of the process leading up to the stock auction:

Stock Auction 2022 (November) – Anticipated Timeline							
<u>Description</u>	<u>May</u>	<u>June</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>
Address verification	5/20/22						
Final Letter owe w/due date	5/24/22						
AFC Committee Review	5/24/22						
Board Review		6/21/22					
Final due date		6/23/22					
Bid Process		6/30/22					
Bid Form			7/6/22				
Notification of Disposition of Collateral			7/28/22				
Website w/bid form				8/31/22			
Separate letter to shareholders					9/13/22		
Co. Newsletter ad					9/30/22		

Agenda Date: May 24, 2022

Newspaper ad start [3x]						10/25/22	
Stock Auction Date							11/15/22

Previous Actions:

November 9, 2009 – First Stock Auction held

August 4, 2020 – Last Stock Auction held

Impact on Budget:

Collection of outstanding charges owed and reimbursement of all related costs.