



CalMutuals Board of Directors Meeting
Tuesday, October 17, 2017
1:30 p.m. or upon adjournment of the JPRIMA Board Meeting
VIA Teleconference
Call-in Number: (712) 775-7031
Access Code: 540-575-707#

Agenda

1:30 p.m.:

- 1) Call to Order (Chair Yamashita-Lopez)
- 2) Roll Call
- 3) Review and Approval of September 6, 2017 Board Meeting Minutes
- 4) Chair's Report
- 5) Budget Report
 - a. Demand Sheet
 - b. Financials
- 6) Board Member Nomination
- 7) Policy Principles
- 8) Task Force Working Groups
- 9) Director Comments
- 10) Executive Director's Report
 - a. Confirmed: CalMutuals Awards Dinner Reception for Asm. Cristina Garcia, Friday, December 8, 2017
- 11) Adjourn (2:00 p.m.)

2017 CalMutuals Board Roster

Ms. Lisa Yamashita-Lopez - President
Rubio Cañon Land and Water Association
626-797-0509 x206 | 626-802-8092
583 E. Sacramento St., Altadena, CA 91001
lisa@calmutuals.org

Mr. David Armstrong – Vice President
South Mesa Water Company
909-795-2401 | 951-805-0861 391
West Avenue L, Calimesa, CA 92320
darmstrongsmwc@yahoo.com

Mr. Dave Michalko - Secretary
Valencia Heights Mutual Water Company
626-332-8935 | 909-215-6895
3009 E. Virginia Ave., West Covina, CA 91791
dmichalko@vhwc.org

Mr. Jim Byerrum - Director
California Domestic Water Company
562-947-3811 | 714-822-6084
15505 Whittier Blvd., Whittier, CA 90609
jbyerrum@caldomestic.com

Mr. Ken Bradbury - Director
Montebello Land and Water Company
323-722-8654 | 213-500-5279
344 E. Madison Ave., Montebello, CA 90640
ken@mtblw.com

Mr. Doug Nunneley - Director
Oildale Mutual Water Company
661-399-5516 | 661-204-1074 2836
McCray St., Bakersfield, CA 93308
dnunneley@yahoo.com

Mr. Ken Tcheng - Director
Sunny Slope Mutual Water Company
626-287-5238 x122 | 626-422-6861
1040 El Campo Dr., Pasadena, CA 91107
ken@sunnyslopewatercompany.com

Mr. Rick Cook – Director
Bellflower-Somerset Mutual Water Company
562-866-9980
10016 Flower Street, Bellflower, CA 90706
rcook@warnerreal.com

Staff

Mr. Jim Ciampa
General Counsel
626-793-9400
301 N. Lake Ave., 10th Floor, Pasadena, CA 91101
jciampa@lagerlof.com

Ms. Myra Evangelista
Staff/Treasurer
562-947-3811 | 714-822-6084
15505 Whittier Blvd., Whittier, CA 90609
myra@calmutuals.org

Mr. Adan Ortega
Executive Director
714-449-3397 | 714-600-4683
1400 N. Harbor Blvd., Suite 510, Fullerton, CA 92835
adan@calmutuals.org

Ms. Denise Peralta Gailey
Managing Director
714-449-3397 | 626-673-0005
1400 N. Harbor Blvd., Suite 510, Fullerton, CA 92835
denise@calmutuals.org

Ms. Lynda Noriega
Vice President
California Domestic Water Company
562-947-3811
15505 Whittier Blvd., Whittier, CA 90609
lnoriega@caldomestic.com

**California Association of Mutual Water Companies (CalMutuals)
Board of Directors Meeting Minutes
September 6, 2017**

Call to Order: Chair Lisa Yamashita-Lopez called the meeting to order at 10:38 a.m.

Present: Lisa Yamashita-Lopez (Director, President & Chair), Dave Armstrong (Director, Vice President), Dave Michalko (Director, Secretary), Doug Nunneley (Director), Jim Byerrum (Director), Ken Bradbury (Director), Rick Cook (Director), Ken Tchong (Director), Adan Ortega (Staff, Executive Director), Denise Peralta Gailey (Staff, Managing Director), Myra Evangelista (Staff, Treasurer), Jim Ciampa (Legal Counsel), Lynda Noriega, Armando De La Paz, Kelly Jensen (Legislative Advocate – by teleconference).

Absent: None.

Review and Approval of the August 15, 2017 Board Meeting Minutes: On a motion made by Director Bradbury, seconded by Secretary Michalko, the August 15, 2017 board meeting minutes were unanimously approved, as submitted.

Legislative Committee: Director Armstrong reported on various legislative issues that the legislative committee is tracking, including: (1) SB623 Monning; (2) AB1000 Friedman; (3) AB18 Garcia; (4) SB5 De Leon; (5) AB 1668 Friedman, and; (6) SB 606 Skinner/Hertzberg. Legislative Advocate Jensen reported that SB 623 is a two-year bill despite contradicting reports. No further comments.

2018 Legislative Priorities: Executive Director Ortega provided an overview of the policy principles framework for AB 401 and SB 623 (Monning) dealing with the human right to water, affordability of water and assisting disadvantaged communities. After deliberation and on a motion made by Director Byerrum, seconded by Vice President Armstrong, the board voted to approve the development of policy principles to: (1) outline priorities pertaining to the Sustainable Groundwater Management Act (SGMA); (2) consolidation; (3) the lack of a state equivalent of a 501c12 tax exemption status for mutual water companies and; (4) the county-level tax exemption status for mutual water companies. Managing Director Peralta Gailey reported that staff will begin planning for the 2018 lobby day based on the 2018 legislative priorities outlined and approved by the board. Managing Director Peralta Gailey also reported that the board had previously nominated Assembly Member Cristina Garcia to receive the “Small System Award;” she requested the board’s approval to move forward with hosting an in-district reception in her honor. On a motion made by Director Tchong, seconded by Vice President Armstrong, the reception honoring Assembly Member Cristina Garcia was approved.

Chair’s Report: Chair Yamashita-Lopez reported that JPRIMA renewals would now be charged the CalMutuals membership fee that had been previously waived during the first year. She added that Susan Allen at Ortega Strategies Group (OSG) would be managing the membership renewal process. Chair Yamashita-Lopez also reported that staff is researching software options to streamline data management.

Transfer of the Regulatory Affairs Committee to JPRIMA: On a motion made by Director Bradbury, seconded by Director Tchong, the board voted to establish an ad hoc committee to review the possible transfer of the regulatory affairs committee to JPRIMA and present those findings to the board.

California Water Fix: After deliberation among the board of directors, it was decided that the decision to support the California Water Fix would be left to each individual member.

Executive Director's Report: Executive Director Ortega reported that Jim Nichols of the San Luis Canal Company has expressed interest in joining the board of directors. Executive Director Ortega added that he will have more information to provide the board during the next meeting. General Counsel Ciampa added that the nomination of a new director will require the establishment of a nominating committee.

Realignment of Membership Dues Schedule: Comments for this item were provided during the Chair's report.

Director Comments: None.

Adjourn: Chair Yamashita-Lopez adjourned the meeting at 12: 07 p.m.

California Association of Mutual Water Companies Demand Sheet

12:42 PM

10/11/17

<u>Date</u>	<u>Num</u>	<u>Memo</u>	<u>Open Balance</u>
Adan Ortega Associates			
11/01/2017		November 2017 Services-Organization Management, Office Ren...	10,250.00
Total Adan Ortega Associates			10,250.00
Lagerlof, Senecal, Gosney & Kruse LLP			
11/01/2017	154796...	Professional Fees-September 2017	1,250.00
Total Lagerlof, Senecal, Gosney & Kruse LLP			1,250.00
Sloat Higgins Jensen & Associates			
11/01/2017	14755	Legislative Consulting Service - October 2017	5,000.00
Total Sloat Higgins Jensen & Associates			5,000.00
TOTAL			16,500.00

California Association of Mutual Water Companies

3:29 PM

Balance Sheet

10/11/17

As of September 30, 2017

Accrual Basis

	<u>Sep 30, 17</u>
ASSETS	
Current Assets	
Checking/Savings	61,125.14
Accounts Receivable	
1510 · Acc Receivables-Membership Dues	21,900.00
1550 · Acc Receivables-Insurance Fees	318.40
Total Accounts Receivable	<u>22,218.40</u>
Other Current Assets	
1540 · Receivable fr Calmutuals JPRIMA	38,041.03
Total Other Current Assets	<u>38,041.03</u>
Total Current Assets	<u>121,384.57</u>
TOTAL ASSETS	<u>121,384.57</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	1,292.48
Other Current Liabilities	
2170 · Unearned Membership Dues	12,000.00
Total Other Current Liabilities	<u>12,000.00</u>
Total Current Liabilities	<u>13,292.48</u>
Total Liabilities	13,292.48
Equity	
3900 · Retained Earnings	35,257.53
Net Income	72,834.56
Total Equity	<u>108,092.09</u>
TOTAL LIABILITIES & EQUITY	<u>121,384.57</u>

California Association of Mutual Water Companies

3:32 PM

Profit & Loss

10/11/17

January through September 2017

Accrual Basis

	General	JPRIMA	TOTAL
Income			
4000 · Membership Dues			
4010 · Charter	107,450.00	0.00	107,450.00
4030 · Regular	46,350.00	0.00	46,350.00
4070 · Associate	4,125.00	500.00	4,625.00
4050 · Affiliate	11,050.00	0.00	11,050.00
Total 4000 · Membership Dues	168,975.00	500.00	169,475.00
4300 · Insurance Program Fees			
4310 · Property & Casualty	0.00	63,318.62	63,318.62
Total 4300 · Insurance Program Fees	0.00	63,318.62	63,318.62
4510 · Sponsorships	2,000.00	0.00	2,000.00
4530 · Advertising	900.00	0.00	900.00
4550 · Meetings	730.00	0.00	730.00
4910 · Interest Income	2.89	0.00	2.89
4990 · Misc Income	15.00	0.00	15.00
Total Income	172,622.89	63,818.62	236,441.51
Expense			
5010 · Management Contract	90,000.00	0.00	90,000.00
5030 · Lobbying Contract	45,000.00	0.00	45,000.00
5050 · Legal Fees	11,013.70	0.00	11,013.70
5310 · Meeting Expenses	4,619.87	0.00	4,619.87
5514 · Bank Service Charge	33.20	0.00	33.20
5530 · Filing Fees	20.00	0.00	20.00
5540 · Insurance	1,103.00	0.00	1,103.00
5550 · Marketing	1,880.84	0.00	1,880.84
5555 · Merchant Service Fees	49.21	0.00	49.21
5560 · Rent	2,250.00	0.00	2,250.00
5570 · Supplies	1,881.81	0.00	1,881.81
5585 · Travel	5,755.32	0.00	5,755.32
Total Expense	163,606.95	0.00	163,606.95
Net Income	9,015.94	63,818.62	72,834.56

California Association of Mutual Water Companies

Budget and Cash Flow

As of September 30, 2017

	2017 Budget	2017 Estimated Cash Flow					
		Q1 Actual	Q2 Actual	Q3 Actual	Q4 Est	Total	
<u>INCOME</u>							
Charter Membership	\$ 84,000	\$ 6,150	\$ 22,100	\$ 25,150	\$ 6,000	\$ 59,400	[A][B]
Regular Membership	54,000	9,050	14,350	14,300	3,500	41,200	
Affiliate Membership	500	500	2,450	6,400	-	9,350	
Associate Membership	9,000	900	2,900	1,300	3,400	8,500	
Sponsorships	3,000	-	1,000	-	2,000	3,000	
Advertising	1,800	450	375	75	225	1,125	
Meetings	-	-	730	-	-	730	
Loan from Third Parties	30,000	-	-	-	-	-	[C]
JPRIMA Loan Repayment	30,000	-	-	-	30,000	30,000	
Insurance Fees	43,000	1,857	45,486	8,911	3,500	59,754	
Interest Income	-	2	-	-	-	2	
Miscellaneous	-	2,500	-	15	-	2,515	
Total Income	255,300	21,409	89,391	56,151	48,625	215,576	
<u>EXPENSE</u>							
Management Contract	120,000	30,000	30,000	30,000	30,000	120,000	
Attorney Fees	24,000	2,308	3,540	5,166	6,000	17,014	
Office Space/Rent	3,000	750	750	750	750	3,000	
Accounting	-	-	-	-	-	-	
Insurance	1,150	1,103	-	-	-	1,103	
Staff Travel	12,000	1,023	883	2,642	6,000	10,548	
Meetings	3,000	136	-	4,382	500	5,018	
IT/Website	500	-	-	-	150	150	
Supplies	-	1,720	241	67	-	2,028	
Taxes	1,000	-	-	-	1,000	1,000	
Telephone	840	-	-	-	800	800	
Merchant/Bank Fees	500	50	30	2	100	182	
Lobbying	60,000	15,000	15,000	15,000	15,000	60,000	
Marketing	-	-	899	1,219	-	2,118	
JPRIMA Loan	30,000	-	5,000	-	-	5,000	
Miscellaneous	-	-	-	-	-	-	
Total Expense	255,990	52,090	56,343	59,228	60,300	227,961	
Net Total	\$ (690)	\$ (30,681)	\$ 33,048	\$ (3,077)	\$ (11,675)	\$ (12,385)	
<u>Cash Flow</u>							
Beginning Balance		\$ 61,835	\$ 31,154	\$ 64,202	\$ 61,125		
Net Revenues		(30,681)	33,048	(3,077)	(11,675)		
Ending Balance		\$ 31,154	\$ 64,202	\$ 61,125	\$ 49,450		

Notes:

[A] 2017 Charter Membership dues in the amount of \$60,000 were collected in 2016.

[B] 2017 Charter Membership dues from Rubio Canon, Bellflower Somerset, Covina Irrigating Co, Valencia Heights, Sunnyslope Water Company, California Domestic Water Co., Lincoln Avenue Water Valley Water Co. and South Mesa Water Co.

[C] Loan from AAWDM & California Domestic Water Co.

Draft CalMutuals Policy Principles

The CalMutuals Board of Directors approved a motion on September 6, 2017, directing staff to draft policy principles for the 2018 legislative session. The policy principles are to consider issues that were: a) passed or continued during the first year of the 2017-18 legislative session; and b) matters that are pending before the legislature in the form of 2 year bills in that session.

These Policy Principles are intended to conform to and further the Association's mission and vision, as set forth below:

Mission: California Association of Mutual Water Companies supports, educates and represents mutual water companies in the legislative process, development of policies, and allocation of resources.

Vision: Mutual water companies working together for mutual benefit, acting with one voice.

A. Enacted Laws and Regulations

1. Introduction:

To focus experienced and expert Cal Mutuals' members on particular issues raised by particular proposed or recently enacted laws and regulations, during 2017, the board established task forces on the following matters:

Water Quality:

Task Force on Hexavalent Chromium

Task Force on 1,2,3, TCP

Water Affordability, Technical Assistance and Consolidations*:

Task Force on AB401 Low Income Rate Assistance Implementation

The Sustainable Groundwater Management Act

2. Policy Principles:

The CalMutuals Board of Directors establishes the following policy principles to guide task force and staff actions in policy forums, multi-party working groups, and development of Association positions, comment letters and testimony:

1. Affordability -- must be a central consideration in establishing state and regional policies that affect mutual water companies and small systems. Affordability is to be accounted

for not only by accounting for cost thresholds of mutual water companies and small systems and the economic impact upon their customers, but to include determining the effectiveness of the delivery of state grants, loans and assistance.

2. Efficiency -- Cal Mutuals will strive to ensure the regional and statewide value generated by operational efficiencies of mutual water companies and small systems that result from compliance with new legislative and regulatory requirements is recognized on equal footing with other water use efficiency measures, including recycled water.
3. Participation and Equity - - Mutual water companies should be treated in a non-discriminatory basis, in relation to other types of water suppliers, in matters regarding regional and local water system governance, including groundwater sustainability agencies (GSAs), consolidations, and other forms of joint governance, particularly in light of their tax contributions, property rights, voting rights, and investments by shareholders in their water systems.

Pending Legislation: On matters pending before the legislature and other issues of concern to mutual water companies that may pertain to potential legislation, the Board of Directors approves the following policy principles:

1. Unfair Taxation & Financial Requirements:
 - a) CalMutuals will seek solutions that resolve the double property tax taxation of mutual water companies, whose shareholders are also assessed for their mutual water company's valuation through the property tax rolls in some counties.
 - b) CalMutuals will endeavor to reconcile laws (including through possible statutory amendments) enforced by the California Franchise Tax Board that are inconsistent with Federal IRS tax laws governing 501(c) 12 tax-exempt corporations.
 - c) CalMutuals will, at both the federal and state levels, seek to expand tax-exemptions for mutual water company revenues when those revenues are invested in capital and maintenance.
 - d) CalMutuals will collaborate with other water associations and interested parties to find alternatives to proposed taxes on customer water bills that produce revenues or revenue systems that allow assistance to small, poor and older water systems.
 - e) CalMutuals will engage with appropriate parties to find alternatives to the financial review requirement of AB240 as to mutual water companies with less than 1,000 connections.

2. Conservation as a Way of Life Legislation:

- a) Water rights – ensure that all water rights, as they currently exist, remain recognized to their full extent and are not compromised by mandated conservation;
- b) Management affordability – ensure that all operational requirements imposed under the legislation remain affordable and do not result in unintended consequences that adversely impact a mutual water company's or small system's ability to continue to operate;
- c) Recycled water – ensure that the use of recycled water and other alternative water sources is incentivized, including removing any sunset date on any recycled water credits against water use objectives and an ongoing recycled water credit above 10% (30% is ideal);
- d) Fair enforcement process – ensure applicable water suppliers are provided with appropriate notice and hearing opportunities before significant penalties may be imposed for violation of the legislation.
- e) Future Regulations – ensure that any future regulations to be adopted by the State Water Resources Control Board, the Department of Water Resources or any other state agency are adopted through appropriate process that ensure stakeholder and other public input; with the use of emergency regulatory powers limited to times of true emergency.