

CITY OF REDLANDS
UTILITY ADVISORY COMMITTEE
MEETING AGENDA
WEDNESDAY, JULY 17, 2024

JOHN JAMES
Chairperson

SID JAIN
Vice Chairperson

DESIREE REYES
Committee Member

BRANDON LOPEZ
Committee Member

AHOLIBAMA OJEDA
Committee Member

DAN JIMENEZ
Committee Member

RICHARD CORNEILLE
Committee Member

6:30 PM Open Public Meeting
City of Redlands
Wastewater Treatment Plant
1950 Nevada Street
Redlands, California

JOHN R. HARRIS
Municipal Utilities
& Engineering
Director

GOUTAM K. DOBEY
City Engineer

FERNANDO MATA
Wastewater Utility
Manager

PAUL MARISCAL
Water Utility
Manager

JUNG PARK
Laboratory
Manager

Anyone desiring to speak on an agenda item at this meeting may do so during the consideration of that item. Due to time constraints and the number of persons wishing to give oral testimony, public comments will be limited to three (3) minutes.

- *To provide comment, simply raise your hand to speak*

The following comprises the agenda for the regular meeting of the Utilities Advisory Committee of the City of Redlands.

CITY OF REDLANDS
UTILITY ADVISORY COMMITTEE
MEETING AGENDA
WEDNESDAY, JULY 17, 2024

A. ATTENDANCE & CALL TO ORDER

B. PUBLIC COMMENT

(Any person wishing to provide public comment may do so at this time.)

C. APPROVAL OF MINUTES

- a. April 17, 2024 Regular Meeting

D. COMMUNICATIONS

- a. WWTP Operations Discussion & Facility Tour
- b. City Council Water Utility & Wastewater Utility Rate Increase Status
- c. South Mountain Water Company Shares Sale

E. NEW BUSINESS

- a. Director's Report
 - i. Revenues & Expenses To Date
 - ii. O&M
 - iii. CIP Status Update
 - iv. South Mountain Water Company Shares Sale

F. COMMITTEE MEMBER ANNOUNCEMENTS AND REQUEST FOR FUTURE AGENDA ITEMS

G. ADJOURNMENT – Next Meeting is October 16, 2024 @ 6:30 pm (Hinckley Water Treatment Plant)

ATTACHMENTS:

- 1. Draft Minutes of April 17, 2024 Regular Meeting

DRAFT
(for UAC review on 7/17)
MINUTES

Regular meeting of the City of Redlands Municipal Utilities Advisory Committee on April 17, 2024 at 6:32 PM in the City Council Chambers located at 35 Cajon Street, Suite 2. The meeting was an in-person meeting.

A. ATTENDANCE & CALL TO ORDER

Present: Desiree Reyes, Committee Member
Brandon Lopez, Committee Member
Sid Jain, Committee Member
Aholibama Ojeda, Committee Member
John James, Committee Member
Richard Corneille, Committee Member
Dan Jimenez, Committee Member

Staff: John Harris, Municipal Utilities & Engineering Department Director; Goutam Dobey, City Engineer; Fernando Mata, Wastewater Utility Manager; Jungjoon Park, Joint Utilities Laboratory Manager; Gerard Nepomuceno, Civil Engineer; James Garland, Assistant Finance Director

Guest

Speakers: Sudhir Pardiwala, Lindsey Roth, John Wright with Raftelis via Zoom.

B. PUBLIC COMMENT

None.

C. APPROVAL OF MINUTES

Motion made by Chairperson James, seconded by Vice-Chair Jain, the minutes of the regular meeting of April 3, 2024 were approved unanimously.

Vote: 7 – 0 Passed

D. COMMUNICATIONS

a. Rate Increase Talking Points

Mr. Harris went over the talking points for the proposed water and wastewater rate increases. He stated that the proposed water and wastewater rate increases are essential to maintain and improve service quality. For water services, a 2% rate increase is needed to generate additional revenue, translating to approximately \$4.78 more on a typical residential bi-monthly bill (3/4" meter/40 ccf usage). This increment, about half of the annual Consumer Price Index (CPI) increase, will cover the rising costs of routine maintenance, emergency repairs, equipment, materials, labor, and long-term capital improvements, with Operating and Maintenance (O&M) costs expected to grow by 3.6% annually. Over \$50 million in Capital Improvement Program (CIP) work is planned from FY 2025 to FY 2029. For wastewater services, a 10% rate increase is proposed to meet revenue needs, resulting

DRAFT
(for UAC review on 7/17)

MINUTES

in an additional \$3.61 on a typical residential bi-monthly bill. This increase will fund essential services, including maintenance, emergency repairs, equipment, materials, labor, capital improvements, and debt service for a \$45 million State Revolving Fund loan to rebuild the wastewater treatment plant (WWTP). Wastewater O&M costs are projected to rise by 3.7% annually, with over \$66 million in CIP work scheduled from FY 2025 to FY 2029. Overall, a typical residential customer will see a combined increase of approximately \$8.39 in their bi-monthly water and wastewater bill.

E. NEW BUSINESS

a. City Council Presentation Review – John James

Mr. James reviewed his upcoming presentation for the May 7th City Council meeting, focusing on proposed water and wastewater rate adjustments and their necessity. He outlined recommended adjustments for wastewater, potable water, and non-potable water utilities: a 10% annual increase for wastewater over two years, a 2% annual increase for potable water, and no changes for non-potable water rates. There was a discussion about the presentation's language, content and formatting, and minor corrections were requested.

Dennis Bell, resident, commented that the residents will likely overlook Prop. 18 notices and focus solely on the rate increases.

b. City Council Rate Recommendations – Vote

Motion made by Vice-Chair Jain, seconded by Committee Member Ojeda, wastewater rate adjustment of 10% a year for fiscal years 24/25 and 25/26, were approved unanimously. Vote 7:0

Motion made by Vice-Chair Jain, seconded by Committee Member Lopez, potable rate adjustment of 2% a year for fiscal years 24/25 and 25/26, were approved unanimously. Vote 7:0

c. Proposed Future Meeting Scheduling

Mr. Harris suggested that the committee should meet quarterly to monitor the progress of the rate adjustments and expenditures. He proposed the following dates for the meetings: July 17, 2024, October 16, 2024, January 15, 2025, and April 16, 2025.

Following a deliberation on scheduling the next meeting, the committee agreed to this quarterly schedule. The committee requested that the agenda for these meetings include a review of total revenues to date and their yearly tracking, a comparison of total expenses versus capital expenditures, and an overview of available cash. Additionally, the committee asked to arrange a visit to the wastewater plant.

F. COMMITTEE MEMBER ANNOUNCEMENTS AND REQUEST FOR FUTURE AGENDA ITEMS

DRAFT
(for UAC review on 7/17)

MINUTES

An announcement was made about the upcoming Redlands Earth Day event, titled "A Day of Climate Action in Redlands." This event will showcase various projects and community initiatives. Details about the projects can be found on RedlandsEarthDay.org. The event is scheduled to take place at the Redlands Bowl on April 20th.

G. ADJOURNMENT – Next regular meeting will be on July 17, 2024.

There being no further business the meeting adjourned at 7:37 PM. The next regular meeting of the City of Redlands Utilities Advisory Committee will be scheduled for 6:30pm on July 17, 2024.

DRAFT



UTILITY ADVISORY COMMITTEE MEETING

South Mountain Water Company Shares Sale

John R. Harris

Municipal Utilities & Engineering Director

July 17, 2024



MUTUAL WATER COMPANY & WELL COMPANY INVESTMENTS

• Lugonia Water Company	837.5/3700	(23%)
• Redlands Water Company	1234.8/1488	(83%)
• West Redlands Water Company	464.5/805	(58%)
• Lugonia Park Water Company	48.5/196	(25%)
• Bear Valley Mutual Water Company	90967/250341	(36%)
• Crafton Water Company	408.75/3716.75	(11%)
• Redlands Heights Water Company	982.5/1289	(76%)
• South Mountain Water Company	911/1000	(91%)
(Sold All SMWC Shares – January/February 2024)		
• Happe Mutual Well Company	12/50	(24%)
• Raught Mutual Well Company	48/457	(10%)



SUPPLEMENTAL WATER SOURCES

- **State Water Project – Very Rarely Used**
- **Groundwater Extractions – 50%**
- **WWTP Recycled Water Production – 4 MGD**

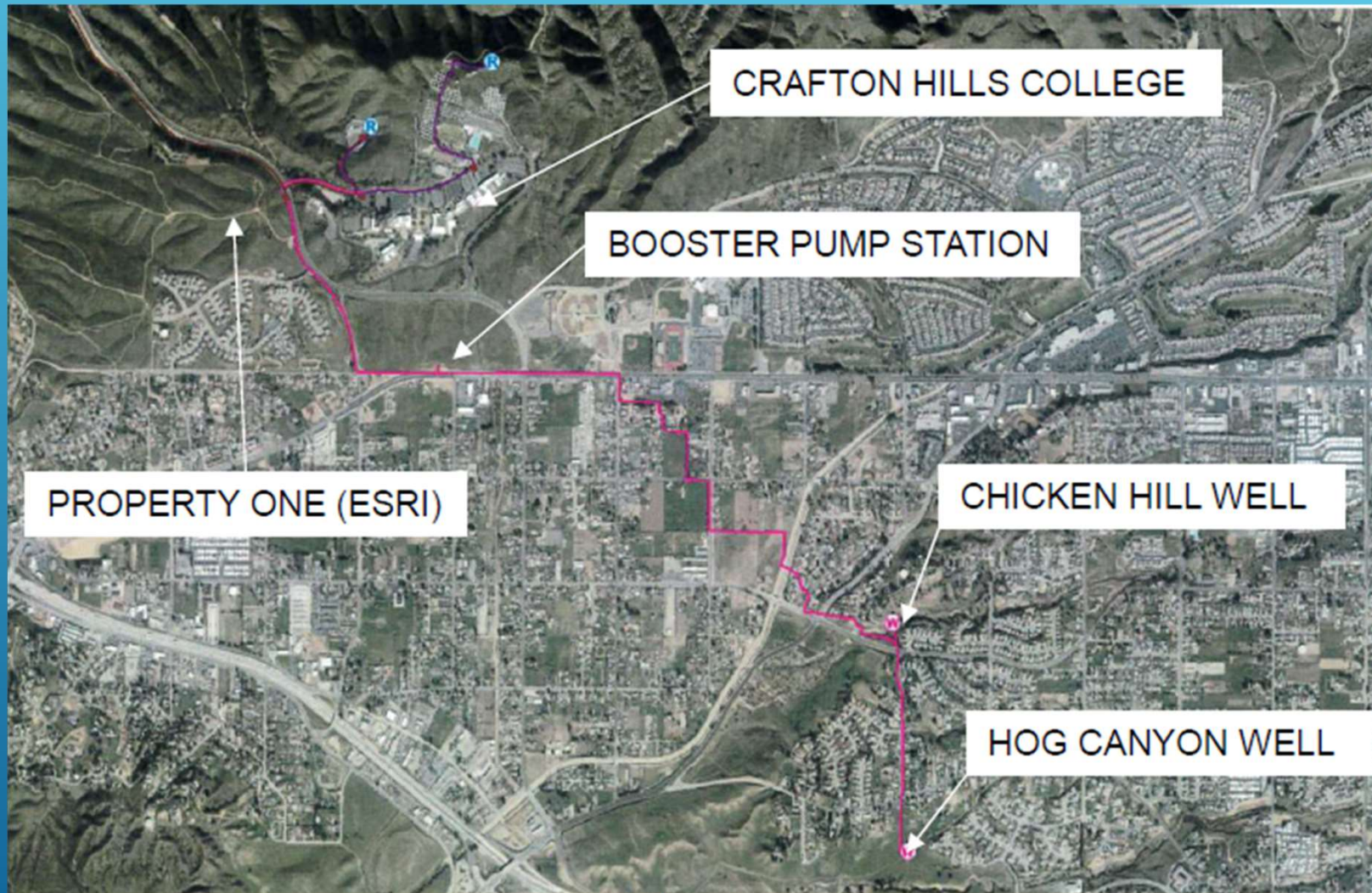


WHY SELL SMWC SHARES?

- **SMWC Bylaws Do Not Allow Retail Water Sales**
- **Nitrates**
- **No Connection To City Water Treatment Plants (\$\$\$)**
- **Skyrocketing SMWC Assessments (91% City Obligation)**
- **City Staff Operated & Maintained SMWC System Without Compensation**
- **Intentional Water Over-Allocation**
- **Intentional Over-Pumping - BVMWC**
- **Water Exchange Agreement Obligations Not Met**
- **Only Two (2) SMWC Water Users – DPF & CHCC**



SMWC SYSTEM DIAGRAM





3. WATER EXCHANGE AGREEMENT ISSUE RESOLUTION – DELIVERY OBLIGATION

HHWTP Deliveries for Exchange Agreement Shareholders of the South Mountain Water Company 2023 Calendar Year

South Mountain Water Company		Mar-23		Apr-23		May-23		Jun-23		Jul-23		Aug-23		Sep-23		Oct-23		Nov-23		Dec-23		Total due March-December 2023 to Bear Valley Mutual Water Company
Share Holder	Shares in Exchange Agreement	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	Delivery MID	Charge \$	
	1	2,506	\$2.51	4,654	\$4.65	5,191	\$5.19	5,37	\$5.37	5,549	\$5.55	3,401	\$3.40	0	\$0.00	0	\$0.00	1,611	\$1.61	2,971	\$2.97	
	5	12,53	\$12.53	23,27	\$23.27	25,955	\$25.96	26,85	\$26.85	27,745	\$27.75	17,005	\$17.01	0	\$0.00	0	\$0.00	8,055	\$8.06	14,859	\$14.86	
	4	10,024	\$10.02	18,616	\$18.62	20,764	\$20.76	21,48	\$21.48	22,196	\$22.20	13,604	\$13.60	0	\$0.00	0	\$0.00	6,444	\$6.44	11,887	\$11.89	
	3	7,518	\$7.52	13,962	\$13.96	15,573	\$15.57	16,11	\$16.11	16,647	\$16.65	10,203	\$10.20	0	\$0.00	0	\$0.00	4,833	\$4.83	8,915	\$8.92	
	2	5,012	\$5.01	9,308	\$9.31	10,382	\$10.38	10,74	\$10.74	11,098	\$11.10	6,802	\$6.80	0	\$0.00	0	\$0.00	3,222	\$3.22	5,943	\$5.94	
	2	5,012	\$5.01	9,308	\$9.31	10,382	\$10.38	10,74	\$10.74	11,098	\$11.10	6,802	\$6.80	0	\$0.00	0	\$0.00	3,222	\$3.22	5,943	\$5.94	
	11	27,566	\$27.57	51,194	\$51.19	57,101	\$57.10	59,07	\$59.07	61,039	\$61.04	37,411	\$37.41	0	\$0.00	0	\$0.00	17,721	\$17.72	32,691	\$32.69	
	3	7,518	\$7.52	13,962	\$13.96	15,573	\$15.57	16,11	\$16.11	16,647	\$16.65	10,203	\$10.20	0	\$0.00	0	\$0.00	4,833	\$4.83	8,915	\$8.92	
	4	10,024	\$10.02	18,616	\$18.62	20,764	\$20.76	21,48	\$21.48	22,196	\$22.20	13,604	\$13.60	0	\$0.00	0	\$0.00	6,444	\$6.44	11,887	\$11.89	
	5	12,53	\$12.53	23,27	\$23.27	25,955	\$25.96	26,85	\$26.85	27,745	\$27.75	17,005	\$17.01	0	\$0.00	0	\$0.00	8,055	\$8.06	14,859	\$14.86	
	5	12,53	\$12.53	23,27	\$23.27	25,955	\$25.96	26,85	\$26.85	27,745	\$27.75	17,005	\$17.01	0	\$0.00	0	\$0.00	8,055	\$8.06	14,859	\$14.86	
	2	5,012	\$5.01	9,308	\$9.31	10,382	\$10.38	10,74	\$10.74	11,098	\$11.10	6,802	\$6.80	0	\$0.00	0	\$0.00	3,222	\$3.22	5,943	\$5.94	
	3	7,518	\$7.52	13,962	\$13.96	15,573	\$15.57	16,11	\$16.11	16,647	\$16.65	10,203	\$10.20	0	\$0.00	0	\$0.00	4,833	\$4.83	8,915	\$8.92	
	Total	56	\$140.34	260.624	\$260.62	290.696	\$290.70	300.72	\$300.72	310.744	\$310.74	190.456	\$190.46	0	\$0.00	0	\$0.00	90.216	\$90.22	166.427	\$166.43	\$1,493.58

1. 56 Shares x 5.37 MI/Share = 300.72 MI/month
2. x 10 months = 3,007.2 MI
3. Total Deliveries = 1,750.219 MI (58%)
4. 1,257.071 MI Shortfall = 62 AF
5. 62 AF = 120 SFR Annual Usage



TRANSACTION TRANSPARENCY

- City Council Meetings
 - 2/21/2023
 - 1/16/2024
 - 2/20/2024
- Yucaipa SGMA Meeting
- South Mesa Water Company GM Discussions
- Yucaipa Valley Water District Meetings
 - 1/2/2024 (Closed Session)
 - 1/16/2024
 - 2/6/2024



TRANSACTION DETAILS

- YVWD – Unsolicited Purchase Offer
- City - SMWC Land Valuation
 - 54 Acres @ \$700,000
 - Heavily Encumbered
 - No Other Known Appraisals
- SMWC Board – Share Valuation
- DPF Purchase Offer - \$500/Share



FINAL TRANSACTION THOUGHTS

- Absolutely No Potable Water Supply Loss
- Absolutely No Water Utility Rate Increase Association
- Reviewed By City Attorney & Outside Counsel (Corporate & Water Law Attorneys)
- Approximately \$380K Annual Water Fund Savings



QUESTIONS?

John R. Harris

Municipal Utilities & Engineering Director

jharris@cityofredlands.org



City of
REDLANDS
Incorporated 1888
Municipal Utilities & Engineering Department

JOHN R. HARRIS
Director

TO: John James, Utility Advisory Committee Chair

FROM: John R. Harris, Municipal Utilities & Engineering Department Director

DATE: July 10, 2024

SUBJECT: July 17, 2024 Director's Report

Hello and thank you for serving the Redlands community as a Utility Advisory Committee (UAC) member! City of Redlands Municipal Code Chapter 2.70 establishes the responsibilities of the MUPWC as follows:

"The powers, duties and responsibilities of the committee are to review the water and wastewater rates, charges and revenue requirements of the city on a biannual basis. The primary goal of the committee shall be to recommend water and wastewater rates that provide revenue which recovers the costs reasonably borne by the city in providing water and wastewater services; are equitable to all customer classes; are in compliance with all state and federal law; and are easily explained to customers. The committee shall prepare and present its recommendations to the city council."

Revenues and Expenses To Date

Fiscal Year 24/25 has just begun, and current financial data is not yet available. However, the most recent revenues and expenses for FY 23/24 are provided as Attachment "B" and Attachment "C".

Operations and Maintenance Update

Water

Redlands is entering its peak water production season. Potable water production is currently at approximately ninety percent (90%), or 30 MGD, of the prior year peak season production (33.3 MGD). Currently, total production capacity is approximately 38 MGD which varies with surface water availability. Recently, approximately eleven percent (11%), or 3.75 MGD, of production

was lost due to PFAS contamination. For more information on PFAS visit the link below.

<https://redlands-pfas-faq-coredlands.hub.arcgis.com/>

Wastewater

Wastewater Collections:

The team continues to clean and inspect sewer lines throughout the city and identify utility manholes that need to be replaced. This ongoing process aims to program additional rehabilitation projects in future years, ensuring the wastewater collection system remains efficient. The wastewater division remains actively engaged in root control and roach control across the city. A “Fats, Oils, and Grease (FOG)” pilot study was recently launched in selected problem areas using specialized bacteria that produce biosurfactants and enzymes to help break down FOG. This initiative is part of the City's Sewer System Management Plan (SSMP).

Wastewater Treatment Plant (WWTP):

Pump Overhaul Program - Collaboration with SoCal Edison (SCE) on energy efficiency tests at the WWTP. The team identified several pumps with potential for energy-saving rehabilitations. Allocated funds in the new fiscal year will allow staff to address these pumps.

Emergency Load Reduction Program (ELRP) - Implemented operational adjustments during peak hours to reduce strain on the electrical grid, supporting overall energy management.

Air Quality Emissions - As outlined in the recent boiler permit(s), the facility's CO and NOx emissions have been compliant for four (4) consecutive required diagnostic checks, as per the Air Quality Management District. The boilers now only require semi-annual checks.

MBR Optimization Strategy - Wastewater staff attended a conference, collaborating with MBR user groups to discuss control strategies and O&M measures.

Strategy Implementation - Implemented an MBR optimization strategy aimed at reducing energy and chemical usage, as well as O&M demands. Reviewed MBR equipment specifications and testing capabilities, leading to the adoption of a quarterly MBR train isolation rotation strategy. This approach allows for complete train inspections, reduces equipment wear and tear, and prolongs membrane life while maintaining adequate capacity for current flows.

Capital Improvement Project Status

MUED is developing several CIP projects:

1. Annual Waterline Replacement/Highline Replacement Project
 - a. Scope – Remove and replace 25,000 LF of potable water distribution pipelines and replace/relocate the 13,000 LF Highline transmission pipeline.



- b. Schedule – The engineering phase is nearly complete, and the construction phase will begin in late-2024.
 - c. Budget - \$9,000,000 (Water Fund)
- 2. Tate WTP Influent Pipeline Replacement Project
 - a. Scope – Replace above-ground Mill Creek pipeline crossing with a new buried pipeline and construct a valve vault to efficiently regulate influent.
 - b. Schedule – The engineering phase is nearly complete. USACE permitting will take approximately eighteen (18) months, and the construction phase will begin soon after.
 - c. Budget - \$8,000,000-\$10,000,000 (Water Fund)
- 3. Hinckley WTP Sludge Press Project
 - a. Scope – Engineer and install equipment to de-water the water treatment process sludge byproduct to reduce labor and disposal costs.
 - b. Schedule – Engineering plans (90% level) are complete, and City Council will consider a Sole Source equipment purchase from PacPress on September 2. The construction phase will begin in early-2025 after equipment is manufactured and delivered.
 - c. Budget - \$3,500,000-\$4,000,000 (Water Fund)
- 4. Sunset Reservoir Replacement Project
 - a. Scope – Replace existing 3 MG steel potable water reservoir with two (2) partially buried 10 MG (each) concrete potable water reservoirs that meet current seismic resistivity standards. Although both new reservoirs will be engineered with this project, only one (1) will be constructed for now.
 - b. Schedule – City Council will consider adoption of an environmental mitigation document on July 16. A procurement notice for engineering and/or construction services will be issued in October 2024.
 - c. Budget - \$20,000,000 (Water Fund)
- 5. Groundwater Well Siting/Engineering Project
 - a. Scope – Prepare a Preliminary Design Report evaluating up to eight (8) locations for a new groundwater well. Develop construction plans, specifications, and cost estimates. Provide bidding and construction support.
 - b. Schedule – February 2025 (Engineering Phase)
 - c. Budget - \$3,000,000 (Water Fund)
- 6. Groundwater Well Rehabilitation Project
 - a. Scope – Three (3) year project to rehabilitate twelve (12) potable wells, eight (8) non-potable wells, and two (2) booster pump stations.
 - b. Schedule – Seventeen (17) wells have been rehabilitated and the remaining three (3) will be completed by late-August 2024.
 - c. Budget - \$1,400,000
- 7. SCADA Upgrade Project
 - a. Scope – Four (4) year project to upgrade/expand twenty-eight (28) remote sites with programable logic controllers (PLC), networking, human machine interfacing (HMI), and end-point devices.

- b. Schedule – All underground electrical work is complete and work at sixteen (16) remote sites is complete. The remaining twelve (12) sites will be improved by late-August.
 - c. Budget - \$5,300,000
- 8. Water Meter Replacement Project
 - a. Scope – Replace and/or retrofit all water meters with automated metering infrastructure (AMI) hardware.
 - b. Schedule – The project is being executed in three (3) phases. Phase 1 and Phase 2 are complete. Phase 3 will replace/retrofit the remaining 13,765 water meters and will be completed by March 2025.
 - c. Budget - \$4,000,000 (Water Fund), \$2,700,000 (U.S. BOR Grant)
- 9. Automated Metering Infrastructure Project
 - a. Scope – Three (3) year project to install twenty-one (21) gateway collectors to remotely read water consumption.
 - b. Schedule – All gateway collectors have been installed. Ten (10) are operational. The remaining eleven (11) will be operational by late-August.
 - c. Budget - \$783,000
- 10. Emergency Standby Generators Pre-Purchase
 - a. Scope – Purchase four (4) emergency standby generators in FY 24/25 for installation at critical booster pump stations in FY 25/26.
 - b. Schedule – Design is complete. Generators will be purchased soon.
 - c. Budget - \$907,000
- 11. WWTP Phase 2 Improvement Project
 - a. Scope – Replace and/or upgrade remaining WWTP facilities, equipment, and components. No planned capacity expansion with this project.
 - b. Schedule – On July 2, the City Council approved the UAC recommendation to increase Wastewater Utility revenues by ten percent (10%) in FY 24/25 and FY 25/26. The signed Ordinance was sent to SWRCB staff as evidence that the rates will cover debt service on the SRF loan. SWRCB staff is drafting a Financing Agreement. We anticipate beginning the construction phase in Spring 2025 and completing the project in Spring 2027.
 - c. Budget - \$45M (SRF Loan – Wastewater Fund Debt Service)
- 12. Annual Sewer Pipeline Replacement/Rehabilitation Project
 - a. Scope – Remove and Replace 2,500 LF of pipelines, line 8,000 LF of pipelines by cured in place pipe technology, remove and replace 50 manholes.
 - b. Schedule – Plans and specifications are being prepared in-house and a bid notice will be issued in September 2024. Construction will begin in November 2024 and end in April 2024.
 - c. Budget - \$1,500,000 (Wastewater Fund)
- 13. WWTP Primary Clarifier Improvement Project
 - a. Scope – Remove and replace clarifier sludge collection and skimming mechanisms/pipes. The use of ARPA funding allows this project to be constructed separately from the WWTP Phase 2 Improvement Project.

- b. Schedule – Project specifications were developed in-house, a bid notice was issued on June 13, and bids will be opened on July 9.
 - c. Budget - \$1,000,000 (ARPA)
14. California Street Recycled Water Pipeline Extension Project
- a. Scope – Extend a twelve inch (12”) recycled water pipeline south on California Street from Lugonia Avenue, beneath I-10 and the Metrolink rail. The goal is to convert the West Redlands Citrus Grove (west side of California Street) and the California Citrus Grove (east side of California Street) from potable water irrigation to recycled water irrigation. This will be the first recycled water service south of I-10.
 - b. Schedule – The project was engineered in-house, is fully permitted by CalTrans and SBCTA, and the construction phase was recently bid. However, all bids were significantly higher than the project budget due to a CalTrans requirement to bore and case the pipeline across CalTrans right-of-way. MUED is working with CalTrans to relax this requirement and will re-bid the construction phase soon.
 - c. Budget - \$200,000 (Wastewater Fund), \$200,000 (Outside Agency Funding)
15. Joint Utilities Laboratory Expansion Project
- a. Scope – Prepare construction plans, specifications, and cost estimates to provide additional space necessary to support mandated water and wastewater testing. MUED will evaluate opportunities to create a new revenue stream by providing laboratory testing services to nearby utility agencies after the facility is expanded.
 - b. Schedule – The final engineering phase will be complete in late-FY 24/25 and construction of the first project phase, which will expand the facility to the east to relocate administrative office spaces, will begin in FY 25/26
 - c. Budget –
 - i. FY 24/25 (Final Engineering) \$500,000 (Water Fund), \$500,000 (Wastewater Fund)
 - ii. FY 25/26 (Phase 1 Construction) \$2M (Water Fund), \$2M (Wastewater Fund)

South Mountain Water Company Shares Sale

Misinformation has been disseminated throughout the community about the City’s sale of 911 shares of South Mountain Water Company (SMWC). On June 11, I provided the City Manager with written responses (Attachment “D”) to many of the questions I have heard about this sale. The City Manager shared these responses with the City Council. Here are just a few highlights:

- These transactions were legal and were scrutinized by the Redlands City Attorney and outside counsel (Water Law Attorney and Corporate Law Attorney) prior to the sales.
- The SMWC Bylaws restrict the retail sale of SMWC share water.
- The shares were sold at the same value (\$500/share) established by the SMWC Board of Directors when it offered to sell treasury shares to Bear Valley Mutual Water Company.

- The SMWC Board of Director's share valuation was made after receipt and review of SMWC land appraisals commissioned by Redlands in 2021.
- Redlands is not able to receive or treat groundwater extracted by SMWC from the Yucaipa Groundwater Basin.
- Selling the SMWC shares saves Redlands water utility customers approximately \$380,000 annually in SMWC assessments, City staff labor, and lost revenue.
- Selling the SMWC shares reduced the rate increase that is necessary to provide Water Utility services to our customers.

As always, feel free to contact me anytime to discuss MUED issues, programs, projects, or concerns.

John R. Harris

jharris@cityofredlands.org

(909) 725-1963

Attachments:

- A – Acronym List
- B – FY 23/24 Unaudited Revenues
- C – FY 23/24 Unaudited Expenses
- D – SMWC Shares Sale Talking Points

ACRONYMS

AACE	Association for the Advancement of Cost Engineering
AF	Acre-Feet
AFD	Acre-Feet per Day
AFY	Acre-Feet per Year
ADD	Average Day Demand
AMI	Advanced Metering Infrastructure
AMR	Automated Meter Reader
APWA	American Public Works Association
ARPA	American Rescue Plan Act
ASCE	American Society of Civil Engineers
ASL	Above Sea Level
AWWA	American Water Works Association
BABA	Build America Buy American
BOD	Biological Oxygen Demand
BOR	Bureau of Reclamation
BVMWC	Bear Valley Mutual Water Company
CalOSHA	California Division of Occupational Safety and Health Agency
CalWARN	California's Water/Wastewater Agency Response Network
CCR	Consumer Confidence Report
CIP	Capital Improvement Program
CO	Carbon Monoxide
Cogen	Cogeneration
CPUC	California Public Utilities Commission
CWC	Crafton Water Company
DDW	Division of Drinking Water
DIF	Development Impact Fees
DLR	Detection Limit for Purposes of Reporting
DOE	Department of Energy
DU	Dwelling Unit
EDU	Equivalent Dwelling Unit
ELRP	Emergency Load Reduction Program
EOPC	Engineer's Opinion of Probable Cost
EPA	Environmental Protection Agency
EPS	Extended Period Simulation
ERNIE	Emergency Response Network of the Inland Empire
ES	Equalizing Storage
EVWD	East Valley Water District

FCS	Facilities and Community Services Department
FOG	Fats, Oil, and Grease
FPS	Feet Per Second
FSS	Fire Suppression Storage
FY	Fiscal Year
GC	Groundwater Council
GIS	Geographical Information System
GPCD	Gallons per capita day
GPD	Gallons per day
GPM	Gallons per minute
Hinckley WTP	Horace P. Hinckley Water Treatment Plant
HP	Horsepower
HSIP	Highway Improvement Safety Program
I-10	Interstate 10
I-210	Interstate 210
MBR	Membrane Bioreactor
MCL	Maximum Contaminate Level
MDD	Maximum Day Demand
MG	Million Gallons
MGD	Million Gallons per Day
mg/L	Milligrams per Liter
MUED	Municipal Utilities and Engineering Department
NOx	Nitrogen Oxides
NPW	Non-Potable Water
NTU	Nephelometric Turbidity Unit
O&M	Operations and Maintenance
OS	Operational Storage
PFAS	Per- & Polyfluoroalkyl Substances
PHD	Peak Hour Demand
PMP	Pavement Management Program
PPM	Parts Per Million
PRS	Pressure Reducing Stations
PSI	Pounds per Square Inch
PW	Potable Water
RW	Recycled Water

SAR	Santa Ana River
SB	Stand-by Storage
SBBA	San Bernardino Basin Area
SBV	San Bernardino Valley (formerly San Bernardino Valley Municipal Water District)
SCADA	Supervisory Control and Data Acquisition
SCAQMD	South Coast Air Quality Management District
SCE	Southern California Edison
SGMA	Sustainable Groundwater Management Act
SOC	Synthetic Organic Compounds
SOP	Standard Operating Procedure
SSMP	Sewer System Management Plan
SWP	State Water Project
SWRCB-DDW	State Water Resources Control Board – Division of Drinking Water
Tate WTP	Henry Tate Water Treatment Plant
TBD	To be determined
TDS	Total Dissolved Solids
TSS	Total Suspended Solids
TTHM	Trihalomethanes
U.S.	United States
UWMP	Urban Water Management Plan
VOC	Volatile Organic Compounds
WD	Water Distribution
WP	Water Production
WSCP	Water Shortage Contingency Plan
WSMP	Water System Master Plan
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
501 Water							
501900 Water Fund - Operations							
501900 4415 Water Ops Cost Recov	-25	-25	-28,871.22	-4,305.81	.00	28,846.22*****%	
501900 4503 Water Ops Plan Check	-21,000	-21,000	-1,155.00	.00	.00	-19,845.00	5.5%
501900 4556 Water Ops Water Usag	-32,577,584	-32,577,584	-19,300,295.43	-1,222,094.39	.00	-13,277,288.57	59.2%
501900 4557 Water Ops Fire Flow	-3,000	-3,000	-2,339.00	-170.00	.00	-661.00	78.0%
501900 4558 Water Ops B Contra	-105,000	-105,000	-1,004.26	.00	.00	-103,995.74	1.0%
501900 4560 Water Ops Water Mete	-30,000	-30,000	-32,480.00	-3,520.00	.00	2,480.00	108.3%
501900 4561 Water Ops Water Turn	0	0	46.00	.00	.00	-46.00	100.0%
501900 4564 Water Ops Irrigation	-3,100,000	-3,100,000	-2,050,081.51	-86,264.74	.00	-1,049,918.49	66.1%
501900 4566 Water Ops Fire Hydra	-155,000	-155,000	-83,887.15	-8,274.97	.00	-71,112.85	54.1%
501900 4568 Water Ops Fire Prote	-420,000	-420,000	-430,460.39	-13,653.33	.00	10,460.39	102.5%
501900 4605 Water Ops Conservati	-525	-525	.00	.00	.00	-525.00	.0%
501900 4704 Water Ops Frontage C	-45,000	-45,000	-216,859.00	-32,418.00	.00	171,859.00	481.9%
501900 4808 Investment Income	-210,000	-210,000	-3,468,876.81	.00	.00	3,258,876.81	1651.8%
501900 4810 Returned Check Fee	-50	-50	.00	.00	.00	-50.00	.0%
501900 4813 Water Ops Rental Inc	-130,000	-130,000	-105,662.95	-6,844.88	.00	-24,337.05	81.3%
501900 4814 Water Ops Miscellane	-105,000	-105,000	-293,381.26	.00	.00	188,381.26	279.4%
501900 4817 Water Ops Misc. Taxa	0	0	-1,155.00	.00	.00	1,155.00	100.0%
501900 4828 Sale of Water Shares	0	0	-455,500.00	.00	.00	455,500.00	100.0%
501900 4901 Transfers In From Othe	-1,955,000	-1,955,000	.00	.00	.00	-1,955,000.00	.0%
501900 4902 Intrafund Transfers In	0	0	-1,433,739.54	-182,086.63	.00	1,433,739.54	100.0%
TOTAL Water Fund - Operations	-38,857,184	-38,857,184	-27,905,702.52	-1,559,632.75	.00	-10,951,481.48	71.8%
501910 Water Fund - Projects/Grants							
501910 4407 Federal Grants	0	0	-38,796.09	-21,210.61	.00	38,796.09	100.0%
TOTAL Water Fund - Projects/Grant	0	0	-38,796.09	-21,210.61	.00	38,796.09	100.0%
501930 Water Fund - Debt Service							
501930 4808 Investment Income	0	0	-10,362.28	-803.12	.00	10,362.28	100.0%
TOTAL Water Fund - Debt Service	0	0	-10,362.28	-803.12	.00	10,362.28	100.0%
TOTAL Water	-38,857,184	-38,857,184	-27,954,860.89	-1,581,646.48	.00	-10,902,323.11	71.9%
TOTAL REVENUES	-38,857,184	-38,857,184	-27,954,860.89	-1,581,646.48	.00	-10,902,323.11	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
509 Water Capital Improvement							
509920 Water - Capital Improvement							
509920 4575 Water - Ca Cap Improv	-345,000	-345,000	-694,849.85	.00	.00	349,849.85	201.4%
509920 4576 Water - Ca Cap Improv	-1,610,000	-1,610,000	-738,889.69	-182,086.63	.00	-871,110.31	45.9%
TOTAL Water - Capital Improvement	-1,955,000	-1,955,000	-1,433,739.54	-182,086.63	.00	-521,260.46	73.3%
TOTAL Water Capital Improvement	-1,955,000	-1,955,000	-1,433,739.54	-182,086.63	.00	-521,260.46	73.3%
TOTAL REVENUES	-1,955,000	-1,955,000	-1,433,739.54	-182,086.63	.00	-521,260.46	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
521 Wastewater Service							
521900 Wastewater - Operations							
521900 4415 WW Ops Cost Recov	-3,100	-3,100	-190.00	.00	.00	-2,910.00	6.1%
521900 4546 WW Ops WW Residen	-8,400,000	-8,400,000	-7,877,343.96	-765,159.41	.00	-522,656.04	93.8%
521900 4547 WW Ops WW Non-res	-2,800,000	-2,800,000	-2,510,819.49	-173,069.42	.00	-289,180.51	89.7%
521900 4548 WW Ops RecylcwtUs	-155,000	-155,000	-362,850.30	-90,259.86	.00	207,850.30	234.1%
521900 4550 WW Ops Septage Ch	-48,000	-48,000	-96,440.64	-16,674.60	.00	48,440.64	200.9%
521900 4704 WW Ops Frontage C	-69,000	-69,000	-216,441.00	-28,590.00	.00	147,441.00	313.7%
521900 4808 Investment Income	-52,000	-52,000	-1,078,563.74	.00	.00	1,026,563.74	2074.2%
521900 4810 Returned Check Fee	0	0	86.00	.00	.00	-86.00	100.0%
521900 4812 WW Ops Sale of Su	0	0	-585.00	.00	.00	585.00	100.0%
521900 4814 WW Ops Miscellane	-25,000	-25,000	8,911.93	.00	.00	-33,911.93	-35.6%
521900 4901 Transfers In From Othe	-200,771	-200,771	.00	.00	.00	-200,771.00	.0%
TOTAL Wastewater - Operations	-11,752,871	-11,752,871	-12,134,236.20	-1,073,753.29	.00	381,365.20	103.2%
TOTAL Wastewater Service	-11,752,871	-11,752,871	-12,134,236.20	-1,073,753.29	.00	381,365.20	103.2%
TOTAL REVENUES	-11,752,871	-11,752,871	-12,134,236.20	-1,073,753.29	.00	381,365.20	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
529 Wastewater Capital Improve							
529920 Wastewater - Capital Impr							
529920 4575 WW Cap Imp Cap Improv	-230,000	-230,000	-776,231.50	-3,130.00	.00	546,231.50	337.5%
529920 4576 WW Cap Imp Cap Improv	-1,495,000	-1,495,000	-675,369.15	-240,720.27	.00	-819,630.85	45.2%
529920 4808 Investment Income	-22,000	-22,000	-129,058.34	.00	.00	107,058.34	586.6%
TOTAL Wastewater - Capital Impr	-1,747,000	-1,747,000	-1,580,658.99	-243,850.27	.00	-166,341.01	90.5%
TOTAL Wastewater Capital Improve	-1,747,000	-1,747,000	-1,580,658.99	-243,850.27	.00	-166,341.01	90.5%
TOTAL REVENUES	-1,747,000	-1,747,000	-1,580,658.99	-243,850.27	.00	-166,341.01	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
531 Non-Potable Water							
531900 Nonpotable Water - Operations							
531900 4572 NP Ops Non-Potabl	-360,000	-360,000	-239,575.21	-2,220.10	.00	-120,424.79	66.5%
531900 4573 NP Ops NP Water S	-230,000	-230,000	-165,209.52	-367.64	.00	-64,790.48	71.8%
531900 4704 NP Ops Frontage C	0	0	-17,549.00	-7,981.00	.00	17,549.00	100.0%
531900 4808 Investment Income	-12,000	-12,000	-161,575.40	.00	.00	149,575.40	1346.5%
TOTAL Nonpotable Water - Operatio	-602,000	-602,000	-583,909.13	-10,568.74	.00	-18,090.87	97.0%
TOTAL Non-Potable Water	-602,000	-602,000	-583,909.13	-10,568.74	.00	-18,090.87	97.0%
TOTAL REVENUES	-602,000	-602,000	-583,909.13	-10,568.74	.00	-18,090.87	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
532 Non-Potable Capital Improv							
532920 Nonpotable Capital Improvements							
532920 4575 NP Cap Imp Cap Improv	-80,000	-80,000	-127,986.03		.00	47,986.03	160.0%
532920 4808 Investment Income	-5,000	-5,000	-79,419.68		.00	74,419.68	1588.4%
TOTAL Nonpotable Capital Improvme	-85,000	-85,000	-207,405.71		.00	122,405.71	244.0%
TOTAL Non-Potable Capital Improv	-85,000	-85,000	-207,405.71		.00	122,405.71	244.0%
TOTAL REVENUES	-85,000	-85,000	-207,405.71		.00	122,405.71	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
501 Water							
501900 Water Fund - Operations							
501900 5001 Salaries: Full-Time	4,560,621	4,613,435	3,518,984.01	333,909.88	.00	1,094,450.99	76.3%
501900 5002 Salaries: Part-Time	89,987	89,987	1,960.08	195.11	.00	88,026.92	2.2%
501900 5101 Overtime Salaries	235,000	235,000	176,581.30	13,011.25	.00	58,418.70	75.1%
501900 5201 Stand By Pay	50,000	50,000	106,590.11	8,349.77	.00	-56,590.11	213.2%
501900 5202 Holiday Pay	0	0	115,919.35	5,780.18	.00	-115,919.35	100.0%
501900 5203 Bonus	0	0	2,940.00	.00	.00	-2,940.00	100.0%
501900 5204 Accrual Payout	0	0	163,952.91	46,723.53	.00	-163,952.91	100.0%
501900 5301 Banked Leave Buy Back	110,090	110,090	48,977.75	.00	.00	61,112.25	44.5%
501900 5401 Pension Contributions	1,214,114	1,401,189	1,082,779.79	100,480.03	.00	318,409.21	77.3%
501900 5501 Social Security/Medica	322,622	322,622	312,219.15	30,814.12	.00	10,402.85	96.8%
501900 5601 Deferred Compensation	7,063	7,063	43,868.38	.00	.00	-36,805.38	621.1%
501900 5701 Health/Dental Insuranc	681,884	1,362,020	688,164.95	76,014.12	.00	673,855.05	50.5%
501900 5702 workers' Comp Insuranc	269,254	269,254	246,816.13	22,437.83	.00	22,437.87	91.7%
501900 5703 Disability Insurance	39,748	39,748	30,101.34	2,796.03	.00	9,646.66	75.7%
501900 5704 Unemployment Insurance	28,058	28,058	29,283.50	443.89	.00	-1,225.50	104.4%
501900 5705 Life Insurance	3,749	3,749	2,959.92	301.90	.00	789.08	79.0%
501900 5801 Vehicle Allowance	605	605	700.00	70.00	.00	-95.00	115.7%
501900 5802 Eyecare Reimbursement	13,388	13,388	3,757.55	.00	.00	9,630.45	28.1%
501900 5803 Clothing Allowance	16,620	16,620	16,714.50	16.50	.00	-94.50	100.6%
501900 5804 Uniform Rental	6,925	6,925	4,727.12	425.79	.00	2,197.88	68.3%
501900 5903 Other Taxable Benefits	29,008	134,296	1,936.13	118.00	.00	132,359.87	1.4%
501900 5904 Tuition Reimbursement	0	0	2,175.00	.00	.00	-2,175.00	100.0%
501900 6005 Water Ops License &	210,250	210,250	139,497.40	98,552.04	14,682.54	56,070.06	73.3%
501900 6006 Water Ops Taxes	11,000	11,000	250.44	.00	.00	10,749.56	2.3%
501900 6007 Water Ops Penalties	0	0	11,669.05	8,790.29	552.35	-12,221.40	100.0%
501900 6008 Water Ops State Mand	8,500	8,500	.00	.00	.00	8,500.00	.0%
501900 6102 Water Ops Legal Serv	0	0	4,547.31	.00	.00	-4,547.31	100.0%
501900 6105 Water Ops Medical/Ph	5,500	5,500	1,460.00	480.00	.00	4,040.00	26.5%
501900 6106 Water Ops Other Prof	377,500	539,781	140,140.53	15,479.05	114,217.60	285,423.00	47.1%
501900 6301 Water Ops WaterWWD	8,500	8,500	9,003.75	.00	.00	-503.75	105.9%
501900 6302 Water Ops City Water	725,000	725,000	519,245.63	42,684.77	.00	205,754.37	71.6%
501900 6304 Water Ops Telephone	60,500	60,500	51,351.94	5,497.04	.00	9,148.06	84.9%
501900 6306 Water Ops Water Rech	550,000	550,000	289,682.65	.00	.00	260,317.35	52.7%
501900 6307 Water Ops Electricit	468,140	468,140	343,756.16	27,780.49	.00	124,383.84	73.4%
501900 6308 Water Ops Elec Servi	2,260,125	2,260,125	2,091,359.74	114,876.19	.00	168,765.26	92.5%
501900 6310 Water Ops Gas Servic	1,000	1,000	623.48	56.49	.00	376.52	62.3%
501900 6313 Water Ops Service fo	77,297	77,297	836.22	76.02	.00	76,460.78	1.1%
501900 6401 Water Ops Meeting &	14,000	14,000	6,730.81	88.40	.00	7,269.19	48.1%
501900 6402 Water Ops Travel Exp	7,000	7,000	3,302.95	695.70	.00	3,697.05	47.2%
501900 6403 Water Ops Training	66,000	66,000	39,250.06	5,962.90	10,554.89	16,195.05	75.5%

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL	REVISED	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE	PCT
501 Water	APPROP	BUDGET				BUDGET	USED
501900 6505	937,125	937,125	158,535.00	.00	.00	778,590.00	16.9%
501900 6601	16,000	16,000	270.87	27.98	.00	15,729.13	1.7%
501900 6703	136,500	148,958	33,610.29	.00	100,681.90	14,665.71	90.2%
501900 6706	70,000	70,000	74,457.51	10,574.64	.00	-4,457.51	106.4%
501900 6707	1,100,000	1,100,000	1,127,565.30	11,859.07	.00	-27,565.30	102.5%
501900 6708	38,500	39,042	14,228.02	1,167.53	1,912.49	22,901.72	41.3%
501900 6709	30,000	30,000	62,993.97	2,938.00	.00	-32,993.97	210.0%
501900 6710	1,202,300	1,664,482	339,404.94	33,856.00	766,497.00	558,580.36	66.4%
501900 6712	1,700	1,700	590.02	590.02	.00	1,109.98	34.7%
501900 6801	42,932	42,932	39,354.37	3,577.67	.00	3,577.63	91.7%
501900 6802	885,955	885,955	747,958.75	67,996.25	.00	137,996.25	84.4%
501900 6803	909,505	909,505	833,713.87	75,792.17	.00	75,791.13	91.7%
501900 6804	1,488,190	1,488,190	1,364,174.13	124,015.83	.00	124,015.87	91.7%
501900 6805	950,000	950,000	985,416.63	89,583.33	.00	-35,416.63	103.7%
501900 6901	10,800	13,042	5,602.37	1,007.22	2,115.58	5,323.82	59.2%
501900 6902	13,000	13,000	6,041.50	1,148.00	.00	6,958.50	46.5%
501900 6903	41,200	53,505	13,042.28	1,172.48	13,332.28	27,130.24	49.3%
501900 6904	5,000	5,000	3,095.89	.00	15.35	1,888.76	62.2%
501900 6905	42,500	42,500	29,647.28	1,857.29	13,045.62	-192.90	100.5%
501900 6906	5,500	5,500	3,984.21	236.98	.00	1,515.79	72.4%
501900 6908	80,500	80,500	29,180.06	9,875.19	33,911.81	17,408.13	78.4%
501900 6909	18,050	18,050	7,968.83	1,533.33	.00	10,081.17	44.1%
501900 6910	0	0	804.00	.00	.00	-804.00	100.0%
501900 7001	1,200	1,200	150.59	.00	.00	1,049.41	12.5%
501900 7002	26,250	26,250	9,768.94	960.27	24,250.00	-7,768.94	129.6%
501900 7003	6,100	6,100	.00	.00	.00	6,100.00	.0%
501900 7004	35,000	35,000	13,892.45	2,768.57	.00	21,107.55	39.7%
501900 7101	15,000	15,000	1,799.41	.00	15,000.00	-1,799.41	112.0%
501900 7102	71,500	71,500	23,396.57	3,013.05	16,739.58	31,363.85	56.1%
501900 7204	205,000	205,000	7,525.99	1,459.12	15,758.88	181,715.13	11.4%
501900 7205	90,700	90,700	46,612.95	7,514.27	38,068.94	6,018.11	93.4%
501900 7206	450,000	450,000	2,771.42	.00	3,273.46	443,955.12	1.3%
501900 7208	2,107,500	2,127,299	824,894.29	56,996.52	840,030.27	462,374.90	78.3%
501900 7209	10,000	10,000	3,053.10	289.26	.00	6,946.90	30.5%
501900 7211	9,700	9,700	3,058.21	.00	9,000.00	-2,358.21	124.3%
501900 7213	65,000	65,000	4,922.52	.00	27,164.48	32,913.00	49.4%
501900 7803	475,500	475,500	466,573.50	21,625.46	166,464.69	-157,538.19	133.1%
501900 7804	500	500	.00	.00	.00	500.00	.0%
501900 7807	5,500	5,500	2,488.82	577.80	.00	3,011.18	45.3%
501900 7808	500,000	761,192	266,272.21	.00	472,443.98	22,476.30	97.0%
501900 7810	326,500	327,167	41,508.19	15,409.39	20,113.91	265,544.57	18.8%
501900 7901	0	10,635	11,552.01	.00	.00	-917.01	108.6%
501900 8405	0	0	34,482.24	.00	1,814.86	-36,297.10	100.0%
501900 8501	0	250,000	.00	.00	.00	250,000.00	.0%

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL	REVISED	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE	PCT
501 Water	APPROP	BUDGET				BUDGET	USED
501900 8503 Water Ops BldgConImp	0	0	34,467.00	.00	.00	-34,467.00	100.0%
501900 8702 Office Equipment	0	0	11,057.37	.00	.00	-11,057.37	100.0%
501900 8704 Water Ops Motor Vehi	135,483	400,939	.00	.00	265,455.50	135,483.00	66.2%
501900 8705 Laboratory Equipment	0	31,365	29,612.50	.00	.00	1,752.50	94.4%
501900 8706 Water Ops All Other	350,000	350,000	33,065.19	.00	.00	316,934.81	9.4%
501900 8801 Capital Lease	743,284	743,284	253,786.33	.00	190,177.37	299,320.30	59.7%
501900 9901 Transfers Out To Other	684,928	684,928	.00	.00	.00	684,928.00	.0%
TOTAL Water Fund - Operations	26,868,950	29,385,387	18,263,168.98	1,512,330.00	3,177,275.33	7,944,942.94	73.0%
501910 Water Fund - Projects/Grants							
501910 5001 Salaries: Full-Time	4,495	4,495	3,293.65	.00	.00	1,201.35	73.3%
501910 5401 Pension Contributions	1,306	1,306	964.68	.00	.00	341.32	73.9%
501910 5501 Social Security/Medica	338	338	251.09	.00	.00	86.91	74.3%
501910 5701 Health/Dental Insuranc	713	713	478.25	.00	.00	234.75	67.1%
501910 5703 Disability Insurance	48	48	28.17	.00	.00	19.83	58.7%
501910 5704 Unemployment Insurance	129	129	14.99	.00	.00	114.01	11.6%
501910 5705 Life Insurance	3	3	2.42	.00	.00	.58	80.7%
501910 5804 Uniform Rental	3	3	4.82	.00	.00	-1.82	160.7%
501910 6106 Water Ops Other Prof	500,000	5,207,805	935,642.73	200,639.39	1,059,507.08	3,212,655.17	38.3%
501910 6710 Water Ops Special Co	0	322,556	.00	.00	.00	322,555.87	.0%
501910 6715 LIHWAP Assistance Prog	0	0	30,000.08	12,414.60	.00	-30,000.08	100.0%
501910 6904 Water Ops Land and B	0	25,500	.00	.00	.00	25,500.00	.0%
501910 7808 Water Ops Water Mete	1,815,000	7,254,697	2,277,131.83	.00	4,470,126.13	507,439.53	93.0%
501910 7901 Water Ops Non-Capita	0	0	691,250.94	218,959.00	252,534.03	-943,784.97	100.0%
501910 8402 Water Ops Water Faci	20,271,000	26,028,534	3,410,172.26	236,205.55	264,111.94	22,354,250.09	14.1%
501910 8501 Water Ops Other Bett	0	520,000	176,637.00	.00	.00	343,363.00	34.0%
501910 8706 Water Ops All Other	0	4,727,968	1,868,418.20	.00	2,859,549.30	.00	100.0%
TOTAL Water Fund - Projects/Grant	22,593,035	44,094,095	9,394,291.11	668,218.54	8,905,828.48	25,793,975.54	41.5%
501930 Water Fund - Debt Service							
501930 6001 Water DS Fiscal Age	90	90	135.00	.00	.00	-45.00	150.0%
501930 9001 Water DS Principal	855,733	855,733	425,277.98	.00	.00	430,454.58	49.7%
501930 9101 Water DS Interest	181,102	181,102	93,139.35	.00	.00	87,962.75	51.4%
TOTAL Water Fund - Debt Service	1,036,925	1,036,925	518,552.33	.00	.00	518,372.33	50.0%
TOTAL Water	50,498,910	74,516,407	28,176,012.42	2,180,548.54	12,083,103.81	34,257,290.81	54.0%
TOTAL EXPENSES	50,498,910	74,516,407	28,176,012.42	2,180,548.54	12,083,103.81	34,257,290.81	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
521 Wastewater Service							
521900 Wastewater - Operations							
521900 5001 Salaries: Full-Time	3,045,826	3,155,903	2,434,946.06	220,455.61	.00	720,956.94	77.2%
521900 5002 Salaries: Part-Time	34,337	34,337	1,960.08	195.11	.00	32,376.92	5.7%
521900 5101 Overtime Salaries	140,000	140,000	136,772.59	9,294.41	.00	3,227.41	97.7%
521900 5201 Stand By Pay	56,000	56,000	83,129.16	6,258.50	.00	-27,129.16	148.4%
521900 5202 Holiday Pay	0	0	78,227.10	6,172.95	.00	-78,227.10	100.0%
521900 5203 Bonus	0	0	2,950.00	.00	.00	-2,950.00	100.0%
521900 5204 Accrual Payout	0	0	27,852.03	13,442.00	.00	-27,852.03	100.0%
521900 5301 Banked Leave Buy Back	44,949	44,949	52,896.81	.00	.00	-7,947.81	117.7%
521900 5401 Pension Contributions	678,396	779,403	739,282.82	67,205.94	.00	40,120.18	94.9%
521900 5501 Social Security/Medica	176,514	176,514	212,468.66	19,280.15	.00	-35,954.66	120.4%
521900 5601 Deferred Compensation	8,271	8,271	40,955.11	.00	.00	-32,684.11	495.2%
521900 5701 Health/Dental Insuranc	317,767	624,639	438,775.80	45,814.10	.00	185,863.20	70.2%
521900 5702 workers' Comp Insuranc	83,515	83,515	76,555.38	6,959.58	.00	6,959.62	91.7%
521900 5703 Disability Insurance	18,736	18,736	18,954.01	1,745.50	.00	-218.01	101.2%
521900 5704 Unemployment Insurance	13,714	13,714	16,210.99	225.76	.00	-2,496.99	118.2%
521900 5705 Life Insurance	1,855	1,855	1,835.64	182.21	.00	19.36	99.0%
521900 5801 Vehicle Allowance	420	420	200.00	200.00	.00	220.00	47.6%
521900 5802 Eyecare Reimbursement	6,626	6,626	2,281.00	264.00	.00	4,345.00	34.4%
521900 5803 Clothing Allowance	7,380	7,380	9,415.00	150.00	.00	-2,035.00	127.6%
521900 5804 Uniform Rental	3,075	3,075	2,924.11	252.05	.00	150.89	95.1%
521900 5903 Other Taxable Benefits	22,824	82,446	4,181.86	287.00	.00	78,264.14	5.1%
521900 5904 Tuition Reimbursement	0	0	3,860.36	.00	.00	-3,860.36	100.0%
521900 6005 WW Ops License &	208,000	208,000	122,185.07	2,495.00	3,993.60	81,821.33	60.7%
521900 6006 WW Ops Taxes	6,000	6,000	.00	.00	.00	6,000.00	.0%
521900 6007 WW Ops Penalties	0	0	1,051.26	.00	.00	-1,051.26	100.0%
521900 6105 WW Ops Medical/Ph	1,650	1,650	650.00	240.00	.00	1,000.00	39.4%
521900 6106 WW Ops Other Prof	276,500	319,561	171,744.32	301.20	95,104.15	52,713.00	83.5%
521900 6301 WW Ops Waterwwd	12,000	12,000	45,215.48	7,339.31	.00	-33,215.48	376.8%
521900 6304 WW Ops Telephone	12,000	12,000	16,462.23	1,594.14	.00	-4,462.23	137.2%
521900 6308 WW Ops Elec Servi	850,000	850,000	1,026,418.99	180,690.93	.00	-176,418.99	120.8%
521900 6401 WW Ops Meeting &	7,200	7,200	5,444.14	1,150.60	.00	1,755.86	75.6%
521900 6402 WW Ops Travel Exp	8,100	8,100	2,065.90	773.10	.00	6,034.10	25.5%
521900 6403 WW Ops Training	25,200	42,200	28,704.77	1,337.10	10,473.34	3,021.89	92.8%
521900 6501 WW Ops Settlement	100,000	100,000	.00	.00	.00	100,000.00	.0%
521900 6505 WW Ops Retiree He	400,000	400,000	56,584.00	.00	.00	343,416.00	14.1%
521900 6601 WW Ops Postage	6,000	6,000	138.40	.00	.00	5,861.60	2.3%
521900 6703 WW Ops Software S	109,000	114,804	23,412.65	.00	13,596.14	77,795.35	32.2%
521900 6708 WW Ops Special Pr	9,000	9,000	2,494.66	2,494.66	.00	6,505.34	27.7%
521900 6710 WW Ops Special Co	1,943,500	2,634,621	1,142,583.52	121,085.45	1,154,851.33	337,186.28	87.2%
521900 6801 WW Ops City Attor	13,553	13,553	11,806.19	1,073.29	.00	1,746.81	87.1%

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
521 Wastewater Service							
521900 6802 WW Ops Info Tech	344,231	344,231	315,545.12	28,685.92	.00	28,685.88	91.7%
521900 6803 WW Ops City Garag	283,769	283,769	260,121.62	23,647.42	.00	23,647.38	91.7%
521900 6804 WW Ops General Go	651,906	651,906	597,580.50	54,325.50	.00	54,325.50	91.7%
521900 6805 WW Ops Billing Se	450,000	450,000	295,625.00	26,875.00	.00	154,375.00	65.7%
521900 6901 WW Ops Printing a	5,000	5,000	2,214.84	22.84	785.16	2,000.00	60.0%
521900 6902 WW Ops Advertisin	5,000	5,000	2,342.24	725.74	.00	2,657.76	46.8%
521900 6903 WW Ops Janitorial	53,700	75,642	23,227.92	2,075.72	23,622.92	28,791.36	61.9%
521900 6905 WW Ops Clothing a	38,000	38,000	27,009.39	1,885.51	10,990.61	.00	100.0%
521900 6906 WW Ops Office Eq	3,300	3,300	2,180.43	118.49	.00	1,119.57	66.1%
521900 6908 WW Ops Other Rent	62,700	62,700	28,941.06	2,087.46	28,506.07	5,252.87	91.6%
521900 6909 WW Ops Subscripti	20,350	20,350	8,628.84	1,600.34	.00	11,721.16	42.4%
521900 7001 WW Ops Books & Su	1,350	1,350	265.96	.00	.00	1,084.04	19.7%
521900 7002 WW Ops Office Sup	17,500	17,500	15,940.35	864.46	17,500.00	-15,940.35	191.1%
521900 7003 Awards/Recognition Prg	2,600	2,600	.00	.00	.00	2,600.00	.0%
521900 7004 WW Ops Uniform/Sa	45,000	45,000	5,663.40	78.10	.00	39,336.60	12.6%
521900 7101 WW Ops Office Equ	2,000	2,000	2,210.67	.00	2,000.00	-2,210.67	210.5%
521900 7102 WW Ops Small Tool	51,500	51,554	24,328.08	9,101.47	8,176.68	19,049.62	63.0%
521900 7204 WW Ops Building/G	76,000	84,195	64,482.00	2,452.00	40,165.32	-20,452.32	124.3%
521900 7205 WW Ops Machinery	208,500	308,500	110,567.64	5,020.96	60,485.82	137,446.54	55.4%
521900 7206 Vehicle Maintenance	0	0	1,760.37	.00	159.21	-1,919.58	100.0%
521900 7208 WW Ops Repair/Mai	1,113,000	1,105,693	588,502.63	46,993.38	426,833.87	90,356.58	91.8%
521900 7209 WW Ops Janitorial	8,000	8,000	1,006.18	83.98	.00	6,993.82	12.6%
521900 7211 WW Ops Computer C	15,700	15,700	3,069.73	3,069.73	1,750.00	10,880.27	30.7%
521900 7213 WW Ops Motor Vehi	10,000	10,000	.00	.00	.00	10,000.00	.0%
521900 7803 WW Ops Chemical &	1,054,400	1,234,400	831,633.04	83,965.19	392,239.33	10,527.63	99.1%
521900 7804 WW Ops Medical Su	500	500	.00	.00	.00	500.00	.0%
521900 7807 WW Ops Food	3,800	3,800	1,307.79	182.09	.00	2,492.21	34.4%
521900 7810 WW Ops Special De	82,500	83,167	59,744.48	15,310.32	22,922.85	499.33	99.4%
521900 8703 WW Ops Computer E	8,000	8,000	.00	.00	.00	8,000.00	.0%
521900 8704 WW Ops Motor Vehi	0	265,456	.00	.00	265,455.50	.00	100.0%
521900 8705 WW Ops Laboratory	55,000	73,774	71,074.36	.00	1,336.65	1,363.43	98.2%
521900 8706 WW Ops All Other	40,000	40,000	30,988.31	.00	.00	9,011.69	77.5%
521900 8801 Capital Lease	577,709	577,709	102,568.10	1,883.66	96,520.14	378,620.76	34.5%
521900 9901 Transfers Out To Other	241,596	241,596	.00	.00	.00	241,596.00	.0%
TOTAL Wastewater - Operations	14,180,519	16,102,865	10,522,126.20	1,029,834.93	2,677,468.69	2,903,270.11	82.0%
521910 Wastewater - Projects/Grants							
521910 6106 WW Ops Other Prof	250,000	1,531,443	172,744.29	1,620.75	251,380.97	1,107,318.00	27.7%
521910 6710 WW Ops Special Co	0	70,000	70,000.00	.00	.00	.00	100.0%
521910 7901 WW Ops Non-Capita	0	65,926	.00	.00	.00	65,925.72	.0%

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
521 Wastewater Service							
521910 8401 WW Ops Wastewater	3,000,000	7,452,195	2,549,842.90	.00	1,417,536.44	3,484,815.36	53.2%
TOTAL Wastewater - Projects/Grant	3,250,000	9,119,564	2,792,587.19	1,620.75	1,668,917.41	4,658,059.08	48.9%
521930 Wastewater - Debt Service							
521930 6004 WW Debt Bank/Colle	17,590	17,590	17,589.62	.00	.00	.00	100.0%
521930 9001 WW Debt Principal	347,449	347,449	347,449.31	.00	.00	.00	100.0%
TOTAL Wastewater - Debt Service	365,039	365,039	365,038.93	.00	.00	.00	100.0%
TOTAL Wastewater Service	17,795,558	25,587,468	13,679,752.32	1,031,455.68	4,346,386.10	7,561,329.19	70.4%
TOTAL EXPENSES	17,795,558	25,587,468	13,679,752.32	1,031,455.68	4,346,386.10	7,561,329.19	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
529 Wastewater Capital Improve							
529920 Wastewater - Capital Impr							
529920 9901 Transfers out To Other	200,771	200,771	.00	.00	.00	200,771.00	.0%
TOTAL Wastewater - Capital Impr	200,771	200,771	.00	.00	.00	200,771.00	.0%
TOTAL Wastewater Capital Improve	200,771	200,771	.00	.00	.00	200,771.00	.0%
TOTAL EXPENSES	200,771	200,771	.00	.00	.00	200,771.00	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
531 Non-Potable Water							
531900 Nonpotable Water - Operations							
531900 5001 Salaries: Full-Time	62,776	66,203	45,000.72	5,740.68	.00	21,202.28	68.0%
531900 5101 Overtime Salaries	4,500	4,500	1,125.85	48.44	.00	3,374.15	25.0%
531900 5201 Stand By Pay	1,000	1,000	777.17	69.91	.00	222.83	77.7%
531900 5202 Holiday Pay	0	0	575.31	183.51	.00	-575.31	100.0%
531900 5203 Bonus	0	0	400.00	.00	.00	-400.00	100.0%
531900 5204 Accrual Payout	0	0	2,242.86	1,687.50	.00	-2,242.86	100.0%
531900 5301 Banked Leave Buy Back	2,728	2,728	1,086.65	.00	.00	1,641.35	39.8%
531900 5401 Pension Contributions	17,917	19,460	11,198.48	1,596.50	.00	8,261.52	57.5%
531900 5501 Social Security/Medica	4,471	4,471	3,717.63	592.78	.00	753.37	83.1%
531900 5601 Deferred Compensation	569	569	2,347.21	.00	.00	-1,778.21	412.5%
531900 5701 Health/Dental Insuranc	4,432	10,570	6,395.17	983.82	.00	4,174.83	60.5%
531900 5703 Disability Insurance	324	324	237.59	34.21	.00	86.41	73.3%
531900 5704 Unemployment Insurance	217	217	210.79	.00	.00	6.21	97.1%
531900 5705 Life Insurance	32	32	24.32	3.69	.00	7.68	76.0%
531900 5802 Eyecare Reimbursement	113	113	.00	.00	.00	113.00	.0%
531900 5803 Clothing Allowance	90	90	97.50	.00	.00	-7.50	108.3%
531900 5804 Uniform Rental	38	38	31.34	4.08	.00	6.66	82.5%
531900 5903 Other Taxable Benefits	1,149	2,593	16.50	.00	.00	2,576.50	.6%
531900 6106 NP Ops Other Prof	20,000	23,572	2,533.99	.00	1,038.50	20,000.00	15.2%
531900 6308 NP Ops Elec Servi	20,200	20,200	36,468.74	2,102.80	.00	-16,268.74	180.5%
531900 6401 Meeting & Prof Develop	1,000	1,000	.00	.00	.00	1,000.00	.0%
531900 6710 Special Contractual Se	140,000	415,000	312,000.00	60,000.00	36,135.05	66,864.95	83.9%
531900 6803 NP Ops City Garag	205	205	187.88	17.08	.00	17.12	91.6%
531900 6804 NP Ops General Go	8,535	8,535	7,823.75	711.25	.00	711.25	91.7%
531900 6908 Other Rentals	6,000	6,000	.00	.00	.00	6,000.00	.0%
531900 7208 NP Ops Repair/Mai	50,000	50,000	.00	.00	.00	50,000.00	.0%
531900 7802 Purchased Water	25,000	25,000	.00	.00	.00	25,000.00	.0%
TOTAL Nonpotable Water - Operatio	371,296	662,420	434,499.45	73,776.25	37,173.55	190,747.49	71.2%
531910 Nonpotable Water - Proj/Grants							
531910 6106 NP Ops Other Prof	150,000	1,060,533	108,885.00	.00	20.00	951,627.59	10.3%
531910 7901 Non-Capital Expenditur	44,542	268,234	.00	.00	275,429.51	-7,195.54	102.7%
531910 8402 NP Ops Water Faci	136,000	447,639	.00	.00	.00	447,639.47	.0%
TOTAL Nonpotable Water - Proj/Gra	330,542	1,776,406	108,885.00	.00	275,449.51	1,392,071.52	21.6%
TOTAL Non-Potable Water	701,838	2,438,827	543,384.45	73,776.25	312,623.06	1,582,819.01	35.1%
TOTAL EXPENSES	701,838	2,438,827	543,384.45	73,776.25	312,623.06	1,582,819.01	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 11

ACCOUNTS FOR:	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
532 Non-Potable Capital Improv							
532920 Nonpotable Capital Improvements							
532920 8402 Water Infrastructure	0	337,586	257,664.00	.00	79,921.83	.00	100.0%
TOTAL Nonpotable Capital Improvme	0	337,586	257,664.00	.00	79,921.83	.00	100.0%
TOTAL Non-Potable Capital Improv	0	337,586	257,664.00	.00	79,921.83	.00	100.0%
TOTAL EXPENSES	0	337,586	257,664.00	.00	79,921.83	.00	



City of
REDLANDS

Incorporated 1888
Municipal Utilities & Engineering Department
35 Cajon Street, Suite 15A
Redlands, CA 92373
909-798-7698

JOHN R. HARRIS
Director

To: Charles M. Duggan, Jr., City Manager
From: John Harris, MUED Director
Date: June 11, 2024
Re: South Mountain Water Company Shares Sale

Considering the recent misinformation a Redlands citizen is disseminating at public meetings and throughout the community, I put together a few talking to provide clarification.

By selling its South Mountain Water Company (SMWC) shares, Redlands will save approximately \$380,000 annually for the City's Water Utility customers:

1. Annual SMWC share assessments – 911 shares @ \$250/share	= \$227,750
2. Recovered Water Utility Usage Revenue	= \$100,000
3. Redlands Water Utility Staff Time	= <u>\$ 55,000</u>
	\$382,750

Detailed explanation:

- *“Redlands should not have sold/transferred/given up its water right. Nobody gives up a water right in Southern California.”*
 - This statement fails to recognize the difference between owning company shares and owning a water right. Redlands owned shares in the SMWC Mutual Water Company, which is significantly different than owning a water right. Shareholders are only entitled to water at the delivery rate per share adopted by the SMWC Board of Directors. Redlands has never owned a water right through the SMWC system.
- *“Why did Redlands sell its SMWC shares?”*
 - The short answer is that it was due to mismanagement by the SMWC General Manager and Board of Directors. I spent more than two (2) years advocating on behalf of the City of Redlands as a SMWC shareholder for responsible business practices and equity for all SMWC shareholders. Despite that effort, SMWC continued to disproportionately burden Redlands financially and continued poor

water management practices that are now, and will into the future, unnecessarily creating additional expense for the company. Here are just a few highlights:

1. Fourteen (14) SMWC shareholders receive a credit on their Redlands water service bill up to their full SMWC entitlements, in exchange for delivering their full SMWC entitlement to a Redlands water treatment facility under the terms of a Redlands/SMWC Water Exchange Agreement. I have researched historic water deliveries (previous 20 years) and find no indication that SMWC ever delivered water to meet this obligation. When I first challenged this a few years ago, the SMWC GM claimed that SMWC has never been obligated to deliver this water, despite very specific language to the contrary in the Agreement. SMWC only began meeting this obligation (on paper) when I notified him that Redlands would soon stop providing credit to these SMWC shareholders. However, this water was “delivered” by Bear Valley Mutual Water Company (BVMWC) and no “wet” water was transferred from the SMWC system to do so. The result was an accounting exercise whereby Redlands received exchange water (on paper) that it was already entitled to as a BVMWC shareholder. It is important to note that BVMWC was not a SMWC shareholder at that time. I challenged this practice at a recent SMWC Annual Shareholder Meeting and asked how SMWC acquired this water from BVMWC. The SMWC GM replied that SMWC purchased the water from BVMWC with SMWC share assessment revenues. When I pointed out that Redlands pays more than ninety percent (90%) of the share assessments collected by SMWC and thereby paid for that percentage of the purchased water that was then delivered to Redlands as exchange water, the SMWC Board President said to the SMWC GM “I told you that was going to be a problem.” The result was that Redlands was purchasing water that was then returned to Redlands to provide exchange credit for these SMWC shareholders. I have audited usage through the Redlands water system for these SMWC shareholders and found that they have collectively receive more than \$118K in credits each year and consume approximately 100 AF of potable water annually.
2. The Yucaipa Sustainable Groundwater Management Agency (Yucaipa SGMA) placed a groundwater extraction cap of 518 AFY, based on a rolling 5-year average, on SMWC. During the first monitoring year, the BVMWC “Highline” failed and the SMWC GM asked Redlands to open a valve connecting the BVMWC and SMWC systems. I expressed my concern that this decision was made without SMWC Board approval and without any agreement as to how BVMWC would compensate SMWC for the inevitable Yucaipa Basin over-pumping. It is well documented that the valve remained open and BVMWC continued to receive SMWC water for a year. During this year, approximately 900 AF was pumped and Redlands used approximately 175 AF, which is consistent with Redlands’ usage in previous years. At the next SMWC Annual Shareholder Meeting, I strongly encouraged the SMWC Board to seek compensation from

BVMWC. They declined and SMWC began the first year of the rolling 5-year monitoring period significantly “in-the-hole”.

3. Each year, the SMWC Board adopted an unreasonable water delivery rate for each company share. The rate was typically six (6) miner’s inches per share. For 1,000 issued shares, this equates to approximately 2,900 AFY, which massively over-allocates the available SMWC water resource. The appropriate water delivery rate to remain within the Yucaipa SGMA cap is approximately 1.1 MI per share. This decision was made solely for the benefit of the SMWC shareholders receiving credit on their Redlands water service bills, without regard to the over-pumping consequences. In fact, the SMWC GM and Board suggested that Redlands caused the over-pumping and should be obligated to satisfy any over-pumping consequences.
 4. In 2023, the SMWC GM and Board attempted to adopt a water delivery rate of 5.37 MI/share for shareholders receiving water through the Redlands system, and a much lower delivery rate for SMWC “pumpers”, which was only Redlands. Fortunately, the SMWC Board listened to the advice of its legal counsel and did not do so.
 5. SMWC did not responsibly maintain its infrastructure and simply reacted when pipelines and/or groundwater wells failed.
 6. I discovered that the two (2) SMWC groundwater wells were reported to the State Water Resources Control Board (SWRCB) as Redlands assets. I also discovered that the Southern California Edison (SCE) electrical utility accounts and bills for these groundwater wells were listed in the Redlands name, and that Redlands had paid the entire SCE bill (approximately \$65K each year) for many years. The SMWC GM and Board insisted that this was appropriate since Redlands operated the SMWC system on behalf of the company and resisted my efforts for SMWC to handle its own obligations. These issues were only resolved recently.
- *“If groundwater extracted by SMWC does not meet drinking water standards (high in nitrates), Redlands should have mitigated to make the water usable.”*
 - This statement highlights a lack of understanding about groundwater contamination mitigation costs and the general SMWC system configuration. Again, Redlands was only a shareholder, and this suggestion would have required SMWC Board action. Only two (2) users of SMWC extracted groundwater (CHCC and the Dangermond Park Foundation) and their only use is irrigated landscaping, which does not require nitrate mitigation. To create potable water, the cost for wellhead site mitigation would be cost-prohibitive. Redlands is currently engineering similar mitigation for Wells #38 and #39. The current construction cost estimate is \$8.5M. Because of the SMWC well and piping configuration (there are 2 SMWC wells), a similar project would need to be constructed at each wellhead site for a total potential cost of \$17M. Mitigating at one (1) site and blending the treated water with untreated water from the other site is no longer a mitigation strategy accepted by the State Water Resources Control Board. Regardless, no infrastructure exists to convey treated groundwater from

either SMWC well site to the Redlands potable water distribution system. Adding an interconnection would be incredibly costly.

- *“Redlands should have negotiated with Bear Valley Mutual Water Company (BVMWC) to pump SMWC water into the BVMWC system for delivery to a Redlands water treatment facility.”*
 - This statement highlights a lack of understanding about the BVMWC system and Redlands system configurations. There is no direct connection between this portion of the BVMWC system and any Redlands water treatment facility. The only BVMWC pipeline capable of supplying water to a Redlands water treatment facility is the “Redlands aqueduct”, which is north of the Hinckley WTP. Nonetheless, treating water with the high nitrate levels typical of the SMWC extracted groundwater would chemically upset either of the Redlands water treatment facilities and would be very expensive to treat. Additionally, even if transmission was possible, BVMWC would charge a “wheeling fee”, which would also increase costs. BVMWC has not been a reliable water supplier for Redlands. Finally, it has been suggested that Redlands should have restored the historic SMWC pipeline that once conveyed water into Redlands. Neither the SMWC GM nor the SMWC Board knows the exact location of that pipeline. Additionally, they believe that the pipeline passes through dozens of private properties and the company never perfected easements for these locations. The cost for this work would likely be in the tens of millions of dollars.

- *“Redlands sold their SMWC shares and now has to raise water rates because of that decision.”*
 - This is inaccurate and quite the opposite. For a detailed explanation on how the Redlands water rates are set please see the March 27, 2024, Financial Plan and Rate Study. Selling these shares saves the Water Fund, and the Redlands water customers, more than \$380,000 on an annual basis. Redlands sold a portion of its SMWC shares to Yucaipa Valley Water District (YVWD) in mid-January 2024, just before the January 25, 2024 SMWC Annual Meeting. As a new shareholder, YVWD nominated three (3) individuals to the SMWC Board of Directors. All three (3) were elected. Minutes later, the SMWC General Manager and two (2) continuing SMWC Directors attempted to arbitrarily impose an annual share assessment of \$250 per share, which is 2.5 times higher than the 2023 assessment rate, which was 2.5 times higher than the 2022 assessment rate. The new Board prevented this from happening. If Redlands had retained all its SMWC shares, the Water Fund would have been impacted by this unanticipated \$136,650 increase in SMWC assessments. Additionally, for decades, the SMWC Board adopted unrealistic water delivery rates that far exceeded the company’s water entitlement so that fourteen (14) SMWC shareholders that executed Water Exchange Agreements (WEA) with Redlands would receive credits that offset their Redlands combined service bill water usage. SMWC also refused to deliver water to Redlands on behalf of these WEA customers. This resulted in typical lost revenue of approximately \$118K and potable water production of more than 100

acre-feet for Redlands each year. Finally, Redlands staff operated the SMWC system, at the request of the SMWC General Manager, without compensation. These costs are not modeled in the most recent Water Rate Study and would have required a higher Redlands water rate increase if they were.

- *“Redlands gave up an inexpensive water source by selling its SMWC shares.”*
 - This is inaccurate. The 2024 SMWC annual assessment would have been \$250 per share if Redlands had not sold its SMWC shares to YVWD, resulting in a total annual share assessment of \$227,750 for Redlands. Redlands’ two (2) users of SMWC water collectively used approximately 175 AF each year. This consideration alone equates to a unit cost of \$1,300/AF for SMWC water. If I use the Yucaipa Sustainable Groundwater Management Agency SMWC groundwater extraction cap of 518 AFY, and Redlands’ ninety-one percent (91%) share ownership of that volume (472 AFY), the water unit price is still \$482/AF. For comparison, Redlands can purchase State Water Project water for direct delivery to Hinckley WTP and/or Tate WTP at any time for \$125/AF. These SMWC unit costs also do not consider the lost revenue and potable water production mentioned previously. It also does not consider the non-reimbursed cost for Redlands staff to operate the SMWC system. The recently seated SMWC Board adopted a \$50 share assessment rate and is operating the company efficiently with the revenues generated from this reasonable assessment.

- *“SMWC was only in jeopardy of exceeding the 518 AFY groundwater extraction cap (based on a rolling 5-year average) imposed by the Yucaipa Sustainable Groundwater Management Agency because Redlands over-pumped in the first year of the Yucaipa SGMA monitoring plan.”*
 - This is inaccurate. The SMWC General Manager also serves as the BVMWC General Manager. During the first year of the Yucaipa SGMA monitoring plan, the BVMWC “Highline” failed and the SMWC General Manager requested that the Redlands staff open a valve connecting the SMWC and BVMWC systems to supplement the BVMWC water supply. It is well documented in numerous emails that I expressed my concern with this decision, particularly considering that BVMWC was not a SMWC shareholder at that time, and the SMWC Board did not formally approve the transfer of water. This connection remained opened for approximately one (1) year, resulting in BVMWC receiving all water produced by the SMWC system other than the 175 AF used by CHCC and DPF. SMWC groundwater extractions that year totaled approximately 900 AF, far exceeding the 518 AFY Yucaipa SGMA cap. At a subsequent SMWC Annual Shareholder Meeting, I strongly recommended that the Board seek compensation from BVMWC for this water, either in the form of a financial transaction or delivery of “wet” water from the BVMWC system to the SMWC system. The SMWC Board declined to take any action, and SMWC ended the first year of the Yucaipa SGMA monitoring period nearly 400 AFY “in-the-hole”. BVMWC continued to take SMWC water in future years, resulting in SMWC exceeding the Yucaipa SGMA cap each year. Redlands’ customers have consistently used 150 AFY – 175 AFY for many years.

- *“Redlands sold its SMWC shares significantly less than the value they were appraised at just a few year ago.”*
 - This is inaccurate. Redlands has never contracted for a SMWC share appraisal. In December 2021, Redlands had the SMWC real estate holdings appraised at approximately \$700,000 (\$700 per share). In 2023, the SMWC Board of Directors offered to sell twelve (12) treasury shares to BVMWC for \$500 per share, which established a “comparable” for future SMWC share sales. Consequently, Redlands sold its shares at the same price to two (2) buyers, one (1) of whom was present during the SMWC Board meeting when the sale of SMWC shares to BVMWC for \$500/share was discussed. The value of the SMWC shares could arguably be reduced if infrastructure disrepair, groundwater over-extraction, and poor company management outcomes were considered. Redlands received an unsolicited purchase offer from YVWD (\$500 per share), presumably based on a meeting between YVWD and a former Redlands customer using SMWC water for landscape irrigation. If the City Council had not accepted this offer, Redlands would have paid an additional \$136K in 2024 SMWC annual assessments a week after the sale.

- *“Redlands’ sale of its SMWC shares should have been more transparent.”*
 - I strongly disagree. During the February 21, 2023 regular City Council meeting, I presented a recommendation for the City Council to authorize the City Manager or his designee to solicit purchase offers and negotiate terms for the sale of all the Redlands SMWC shares. I recommended that Redlands should first negotiate with its two (2) customers currently receiving SMWC water, who are also the only users of SMWC water. The City Council agreed. Initially, one (1) of these customers expressed interest in acquiring all 911 SMWC shares owned by Redlands. During a lengthy due diligence period however, this customer identified concerning SMWC business practices and eventually purchased 250 SMWC shares to ensure they would continue receiving enough SMWC water for their current and future needs. The City Council accepted my recommendation to sell these 250 Redlands SMWC shares during the January 16, 2024 regular City Council meeting. The second customer declined to purchase any SMWC shares and expressed interest in receiving irrigation water through the YVWD recycled water system. I connected this customer with the YVWD GM and agreed to retain the Redlands SMWC shares until they were able to connect to this new source of non-potable water. Soon after, the YVWD GM contacted me and offered to purchase the remaining Redlands SMWC shares.

I discussed this offer with the Redlands City Council, who accepted my recommendation to sell YVWD fifteen (15) Redlands SMWC shares during the January 16, 2024 regular City Council meeting. YVWD quickly conducted due diligence and the City Council accepted my recommendation to sell YVWD the remaining 646 Redlands SMWC shares during the February 20, 2024 regular City Council meeting. So, this transaction was discussed at three (3) separate public

City Council meetings. The January 2, 2024 YVWD Board Meeting Notice identified a Closed Session real property negotiation discussion item for “Shares of Water Company Stock” and lists “City of Redlands” as a Negotiating Party. The January 16, 2024 YVWD Board Meeting Notice includes an Open Session discussion item titled “Authorization to Purchase up to 700 Shares of Stock in the South Mountain Water Company” with a recommended action of “That the Board authorize the General Manager to execute a contract with the City of Redlands for the purchase of available shares of water stock in the South Mountain Water Company”. The February 6, 2024 YVWD Board Meeting Notice includes an Open Session discussion item titled “Appointment of Individuals to the Board of Directors of the South Mountain Water Company”. So, this transaction was discussed at two (2) separate public YVWD Board Meetings as well. In total, this transaction was discussed at five (5) public meetings spanning a period of more than a year. No public comments, oral or written, opposing approval of this transaction were received at any of these meetings.

Other Considerations:

- Current litigation between South Mesa Water Company and Yucaipa Valley Water District appears to be a primary driver for the misinformation being disseminated at public meetings and throughout the community.
- The South Mesa Water Company residential water rates are significantly higher than the Redlands residential water rates. For example, the South Mesa Water Company charge for a one-inch (1”) residential water meter consuming 40 ccf bi-monthly is \$215.96, while the Redlands charge is \$142.58. In other words, the typical South Mesa Water Company residential water meter and usage charge is fifty percent (50%) higher than the same Redlands charge. This comparison also does not consider the annual South Mesa Water Company share assessment that is currently \$50 per share. The South Mesa Water Company residential water meter connection fee is approximately four (4) times higher than the same Redlands fee. This highlights the fact that Redlands has made responsible decisions to maintain a reliable water production, treatment, and distribution system at very affordable rates. Also, Redlands maintains an incredibly diverse water supply portfolio, and is able to source raw water from the State Water Project, Santa Ana River, Mill Creek, and the Bunker Hill Basin. The South Mesa Water Company rates may be reviewed here:
<https://southmesawater.com/rates/>
- When it became public knowledge that Redlands would soon sell its SMWC shares, South Mesa Water Company (Dave Armstrong) expressed interest, but did not offer to purchase the shares. He was a Redlands resident at that time as well, and he never expressed concerns with Redlands selling its SMWC shares. He knew about this potential transaction in early-2023.
- Every aspect of Redlands’ potential SMWC share sale was scrutinized by Redlands’ outside counsel and water rights experts at BB&K.
- *“The City is additionally considering giving up their water connection to the State Water Project, which brings in supplemental water supplies from Northern California.”*

- This is completely false and has never been considered. In fact, Redlands is currently engineering improvements to the existing SWP connection at the Tate WTP as part of the Tate WTP Influent Pipeline Replacement Project. San Bernardino Valley Municipal Water District staff has reviewed these engineering plans at various levels of completion, has run its own calculations to ensure the hydraulic grade line is set appropriately, and has requested minor revisions that the City staff directed our Consultant to include in the project. Additionally, City staff is discussing a near-term future project to improve an existing SWP turn-out north of the Hinckley WTP and construct a dedicated pipeline to convey SWP water directly to Hinckley.