



**May 22, 2020**

Dear Shareholder:

Thank you for taking time this afternoon to attend the San Miguelito Mutual Water Company Annual Shareholder Meeting. We appreciate the interest you have shown in our water company.

Many hours of preparation have gone into today's meeting. We hope the information presented will provide you with a clear picture of the Company's operations. There will be a question and answer session after the reports.

Please take a moment to review the meeting packet; most particularly the minutes from last year's meeting.

Sincerely,

San Miguelito Mutual Water Company

Board of Directors and Staff

# San Miguelito Mutual Water Company

## Annual Meeting

May 22, 2020, 2:00 p.m.

*San Miguelito Mutual Water Company Office*

### Agenda

San Miguelito Mutual Water Company Annual Meeting  
Fri, May 22, 2020 1:30 PM - 5:30 PM (PDT)

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Pledge of Allegiance	Marvin St Pierre, President
Minutes of Last Meeting	Gary Garcia, Secretary
President's Remarks	Marvin St Pierre, President
Financial Report	Rick Koon, Director
Manager's Report	Rick Koon, Director
Capital Projects Review	Rick Koon, Director
Questions and Answers	Board of Directors, Consultants and Management
Ballot Results	Gary Garcia, Secretary
Adjourn	Marvin St Pierre, President

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## Board of Directors

May 22, 2020

OFFICE HELD	NAME	EXPIRATION OF TERM
President	Marvin St Pierre	May, 2021
Vice President	Michael Nordstrom	May, 2023
Financial Officer	John Delehant	May 2021
Secretary	Gary Garcia	May, 2023
Director	Martin Suits	May, 2021
Director	Robin L. Rossi	May, 2021
Director	Rick Koon	May, 2023

**SAN MIGUELITO MUTUAL WATER COMPANY  
SHAREHOLDERS LIST  
AS OF 05/22/2020**

PELICAN POINT .....	117 SHARES
INDIAN HILL RESIDENTS .....	162 SHARES
SAN LUIS BAY MOBILE ESTATES .....	2 SHARES
PACHO LTD. PARTNERSHIP .....	4 SHARES
SAN LUIS BAY INN TIMESHARE (SAN LUIS BAY INN) .....	144 SHARES
SILVER OAKS ESTATES RESIDENTS .....	6 SHARES
KINGFISHER DEVELOPMENT .....	3 SHARES
BDC/AVILA LAND INVESTMENT LLC .....	12 SHARES
KINGFISHER RESIDENTS .....	115 SHARES
CDF-FIRESTATION #13 .....	1 SHARE
SKYLARK MEADOW RESIDENTS .....	65 SHARES
HERON CREST RESIDENTS .....	68 SHARES
QUAIL CANYON RESIDENTS .....	22 SHARES
MALLARD GREEN RESIDENTS .....	53 SHARES
SCM AVILA BEACH PARTNERS LLC .....	51 SHARES
ROBIN L. ROSSI (GOLF COURSE) .....	141 SHARES
ROBIN L. ROSSI TRUST .....	3 SHARES
AVILA VILLAGE II LLC .....	6 SHARES
QUAT/LEXINGTON REAL PROP PTNRS LLC .....	30 SHARES
ROBIN L. ROSSI (East & West Harford & TR 2149 L 279) .....	3 SHARES
QUAT/COVELOP HOLDINGS, LLC .....	14 SHARES
AVILA BAY ATHLETIC CLUB (AVILA VILLAGE) .....	3 SHARES
AVILA VALLEY ORCHARDS RESIDENTS .....	14 SHARES
COVELOP .....	1 SHARE
SMMWC .....	2 SHARES
MADDEN CUMBERLAND ADAMSKI .....	1 SHARE
<b>TOTAL SHARES IN SMMWC .....</b>	<b>1041 SHARES</b>

SAN MIGUELITO MUTUAL WATER COMPANY

Annual Shareholder Meeting  
Minutes

2:00 PM Wednesday, May 15, 2019

SMMWC Office, 1561 Sparrow Street  
San Luis Obispo, CA

REGISTRATION OF SHAREHOLDERS

Each Shareholder was asked to sign in and was provided with copies of the Agenda, List of Directors, Shareholder List, May 16, 2018 Minutes, 2018 Financial Statements, 2019 Budget, 2019 Rate Schedule, Manager's Report, Operations Report.

PRESENT

Directors: John Delehant, Ben Banks, Gerri Hall, Rick Koon, Rob Rossi, Martin Suits  
Board Member Absent: Marvin St Pierre  
Staff: Michelle Edson, Accounting & Administrative Manager  
Legal Counsel: Tim Carmel, Carmel & Naccasha LLP and Monique Madrid, Certified Municipal Court Clerk  
Shareholders: Carol Hayden, Robert Pusanik, Sharon Suits, John Hostetter, Lori Hostetter, Gordon Withers, Pat Arnold, Larry Bittner, Dominique Dunn, Art Jacqmin, William Smith, Heather Nelson, Gary Garcia, Jim Miers, Saul Goldberg, Steve Rossi, Paul Metchik,  
Guest: None

PLEDGE OF ALLEGIANCE & PRESIDENT'S REMARKS

President Delehant opened the meeting at 2:00 p.m. with the pledge of allegiance, welcomed the shareholders in attendance and introduced the Board of Directors, staff and consultants present.

President Delehant asked if there was a quorum.

The San Miguelito Mutual Water Company Bylaws state: *"The presence in person or by proxy of twenty percent (20%) of the shareholders shall constitute a quorum for the transaction of business at any meeting of shareholders."*

Michelle confirmed there were a sufficient percentage of the shares represented and a quorum was declared. (See representation detail attached.)

MINUTES OF LAST MEETING

President Delehant asked the shareholders to review the minutes of the last meeting. There was a motion made by Rob Rossi, seconded by Gerri Hall to accept the minutes of the May 16, 2018 meeting as written. Motion passed 6 – 0 Marvin St Pierre, absent.

NOMINATION & ELECTION OF OFFICERS

President Delehant asked if there were any additional nominations from the floor. Hearing none, the nominations were closed. Ballots were collected to be counted and elections were closed.

The voting committee was excused to verify the ballots and count the votes. Michelle Edson, Accounting and Administrative Manager verified Shareholders eligibility. Monique Madrid, Certified Municipal City Clerk opened and counted the ballots and reported the results.

#### FINANCIAL REPORT

General Manager Rick Koon presented the San Miguelito Mutual Water Company 2018 Financial Statements, as prepared by the accounting firm of Moss, Levy & Hartzheim LLP.

#### MANAGER'S REPORT, OPERATIONS REPORT, 2018 and 2019 CAPITAL PROJECTS REVIEW

General Manager, Rick Koon, presented the reports as follows:

##### General Managers Report –

- Total water connections are 680 and total number of shares is 1041.
- Water production for 2018 was 165-acre feet. Of that, 67% or 115-acre feet was delivered by state water project; the remaining 33% came from our three wells.
- Total wastewater production for 2018 was 83-acre feet.

##### Operations Report –

- In 2018 the water system experienced no leaks in the distribution system.
- Staff replace old meters and angle stops in Pelican Point.
- In 2018 we had some minor blockages due to tree root intrusion. The additions of Magnesium Hydroxide into the Lift Stations has greatly decreased the H<sub>2</sub>S in our force mains.
- Staff continues to be proactively removing tree roots from our sewer lines and manholes. We also flushed our water mains and exercised the water valves.

##### Capital Projects

- Extensive repair work was completed on the equipment buildings at LS# 2 & 3 and the WWTP.
- The new SCADA monitoring system was expanded to include our facilities in Wild Cherry Canyon. Our operators can now remotely monitor the levels in our tanks, system pressure levels, pump run times and set points.

##### Presentation -

- Pictures were shown of the various projects completed in 2018.

#### ELECTION RESULTS

Monique Madrid the clerk that was hired to oversee the opening of ballots and counting of the votes announced the election results. Rick Koon received 681 votes Michael Nordstrom received 674 votes Gary Garcia received 646 votes and Ben Banks received 634. There were 3 seats open on the Board of Directors the 3 persons with the highest votes were elected to serve as directors for a four-year term ending in May 2023.

#### ADJOURNMENT

The meeting was adjourned at 3:02 p.m.

Proceedings recorded by:

Michelle Edson, Accounting & Administrative Manager

Respectfully Submitted,

Approved:

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John Delehant, Financial Officer

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Marvin St Pierre, President

## ANNUAL SHAREHOLDERS MEETING

May 15, 2019

### SHARE REPRESENTATION

1041 Total Shares – 20% Necessary for Quorum 209 Shares

John Delehant –1 Plus 2 Proxies	3 shares
Ben Banks – SLBI Proxy	144 shares
Gerri Hall – 1 plus 13 Proxies	14 shares
Rob Rossi – ABR, E. Hartford, AVLLC and OUAT	197 shares
Rick Koon – KFD and BDC/ALD.	19 shares
Martin Suits 1 Proxy	1 share
Residential and Commercial in Attendance	3 shares
Ballots by Mail	136 shares
SLBE Proxies	362 shares
<b>TOTAL SHARES REPRESENTED</b>	<b>879 shares</b>
<b>SHAREHOLDERS ELECTED – BY BALLOT</b>	
Rick Koon	4-year term
Michael Nordstrom	4-year term
Gary Garcia	4-year term

**San Miguelito Mutual Water Company**

**Reviewed Financial Statements**

**December 31, 2019**



## **San Miguelito Mutual Water Company**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Stockholders  
San Miguelito Mutual Water Company  
Avila Beach, CA 93424

We have reviewed the accompanying balance sheet of San Miguelito Mutual Water Company as of December 31, 2019, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

### Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

### Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Moss, Levy & Hartzheim LLP*

Santa Maria, California  
April 18, 2020

**San Miguelito Mutual Water Company**  
Balance Sheet  
December 31, 2019

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**Assets**

Current assets

Cash and cash equivalents (Note 1)	\$ 442,510
Accounts receivable (Note 1)	65,846
Deposits	448
Prepaid expenses	5,610

Total current assets	<u>514,414</u>
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Property and equipment (Note 4)	11,594,483
Less accumulated depreciation	<u>(5,333,734)</u>

Net property and equipment	<u>6,260,749</u>
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Other assets

Capital and state water reserves (Note 3)	3,033,084
Reimbursable projects, restricted cash (Note 3)	16,285
Local water rights (Note 1)	<u>238,030</u>

Total other assets	<u>3,287,399</u>
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Total assets	<u><u>\$ 10,062,562</u></u>
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**Liabilities and stockholders' equity**

Current liabilities

Accounts payable	\$ 24,659
Payroll liabilities	<u>50,295</u>

Total current liabilities	<u>74,954</u>
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Other liabilities

Reimbursable projects (Note 1)	<u>16,285</u>
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Total liabilities	<u>91,239</u>
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Stockholders' equity

Common stock, no par value, 10,000 shares authorized	
1,041 shares issued and outstanding	677,383
Additional paid in capital (Note 7)	11,644,898
Retained earnings	
Unreserved	<u>(2,350,958)</u>

Total stockholders' equity	<u>9,971,323</u>
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Total liabilities and stockholders' equity	<u><u>\$ 10,062,562</u></u>
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See accompanying notes and independent accountants' review report.

**San Miguelito Mutual Water Company**  
Statement of Income  
For the Year Ended December 31, 2019

Revenue		
Water and sewer usage fees		\$ 1,229,129
New service fees		1,750
Late and other administrative fees		22,422
Contract services		17,712
Building rent		24,000
Sewer facilities rent		45,420
State water payment, stockholders with undeveloped property		63,324
	Total revenue	<u>1,403,757</u>
Operating expenses		
State water		417,475
Personnel costs		271,817
Consulting		56,340
Depreciation (Note 4)		432,343
Lab tests		14,857
Other programs		9,371
Repairs and maintenance		142,533
Supplies		25,712
Training, education, health and safety		5,701
Telephone and communications		6,140
Uniforms		6,115
Utilities		77,476
Vehicles		16,910
	Total operating expenses	<u>1,482,790</u>
General and administrative expenses		
Accounting and legal		46,671
Bank fees		5,147
Consulting		8,168
Insurance		17,430
Licenses, fees and dues		31,523
Miscellaneous		1,888
Office supplies and equipment		17,960
Personnel costs		119,198
Property taxes		8,050
Rent		24,000
Repairs and maintenance		9,236
Telephone and internet		4,158
Utilities		2,991
	Total general and administrative expenses	<u>296,420</u>
	Total expenses	<u>1,779,210</u>
	Loss from operations	<u>(375,453)</u>
Other income (expense)		
Interest		56,795
Gain on sale of assets		1,250
	Total other income (expense)	<u>58,045</u>
	Loss before income taxes	<u>(317,408)</u>
Provision for income taxes, current (Notes 1 and 5)		<u>(800)</u>
Net	Net loss	<u>\$ (318,208)</u>

See accompanying notes and independent accountants' review report.

**San Miguelito Mutual Water Company**  
Statement of Changes in Stockholders' Equity  
For the Year Ended December 31, 2019

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	Common Stock		Additional	Retained	
	Shares	Cost	Paid-in	Earnings	Total
			Capital	(Deficit)	
Balance, December 31, 2018	1,041	\$ 677,383	\$ 10,996,057	\$ (2,032,750)	\$ 9,640,690
Capital Contributions			648,841		648,841
Net loss				(318,208)	(318,208)
Balance, December 31, 2019	<u>1,041</u>	<u>\$ 677,383</u>	<u>\$ 11,644,898</u>	<u>\$ (2,350,958)</u>	<u>\$ 9,971,323</u>

See accompanying notes and independent accountants' review report.

**San Miguelito Mutual Water Company**  
Statement of Cash Flows  
For the Year Ended December 31, 2019

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Cash flows from operating activities:	
Net loss	\$ (318,208)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	432,343
Earnings (loss) in investments	(56,795)
(Increase) decrease in:	
Accounts receivable	(8,023)
Prepaid expenses	(4,020)
Increase (decrease) in:	
Accounts payable	(14,714)
Payroll liabilities	783
Net cash provided by operating activities	<u>31,366</u>
Cash flows from investing activities:	
Purchases of property and equipment	(212,170)
Purchases of investments	<u>(456,505)</u>
Net cash used by investing activities	<u>(668,675)</u>
Cash flows from financing activities:	
Capital contributions	<u>648,841</u>
Net cash provided by financing activities	<u>648,841</u>
Net increase in cash and cash equivalents	11,532
Cash and cash equivalents at beginning of year	<u>430,978</u>
Cash and cash equivalents at end of year	<u><u>\$ 442,510</u></u>
Supplementary cash flow information:	
Cash paid for state taxes	<u><u>\$ 800</u></u>

See accompanying notes and independent accountants' review report.

**Note 1 - Nature of Operations and Significant Accounting Policies**

**Nature of Operations**

San Miguelito Mutual Water Company (SMMWC) is a California corporation established to acquire and hold water and water rights, and to maintain water works and distribution facilities for the purpose of furnishing and distributing water for domestic and irrigation purposes to its stockholders, at cost; including the use of the water works and distribution facilities for the purpose of conserving, treating and reclaiming water; and providing sewage treatment services to its stockholders, at cost.

**Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accruals.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Revenue Recognition***

SMMWC recognizes its revenues, including water and sewer utility fees, rentals, and interest, when earned on accrual basis of accounting.

***Income Taxes***

Income taxes are provided for the tax effect of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, that will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Income Taxes Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50% approach). As of December 31, 2019, the SMMWC did not maintain any tax positions that did not meet the "more likely than not" threshold and, accordingly, all tax positions have been fully recorded in the provision for income taxes. SMMWC's policy is to consistently classify interest and penalties associated with income taxes separately from the provision for income taxes, accordingly, no interest or penalties associated with income taxes have been included in the provision for income taxes. SMMWC does not expect any material changes through December 31, 2019. Although SMMWC does not maintain any uncertain tax positions, tax returns remain subject to examination by the Internal Revenue Service for years ended on or after December 31, 2016, and by the California Franchise Tax Board for the years ended on or after December 31, 2015.

***Comprehensive Income***

There are currently no differences between net income or loss, and comprehensive income or loss.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of a non-interest bearing checking account and an interest-bearing savings account that are used for operations. Reimbursable projects, restricted cash, and working capital reserves invested in certificates of deposit are not considered cash equivalents since these amounts are restricted in use.

***Accounts Receivable***

Receivables are accounted for on the accrual basis and become past due after 30 days. No allowance for uncollectable accounts has been provided, as SMMWC typically collects all outstanding amounts. Receivables are written off if all efforts at collection have failed and management determines that collection is unlikely. At December 31, 2019, accounts receivable totaled \$65,846, consisting of \$62,583 owed for December utility bills and the state water receivable of \$3,263.

**San Miguelito Mutual Water Company**  
Notes to the Financial Statements  
For the Year Ended December 31, 2019

**Note 1 - Nature of Operations and Significant Accounting Policies (continued)**

**Water Rights**

Local water rights are recorded at cost, and do not reflect fair value. SMMWC is the grantee of water rights. Local water is a renewable asset; therefore local water rights are not amortized.

**Property, Plant and Equipment**

Expenditures for property and equipment in excess of \$5,000 are capitalized and recorded at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the year of disposal.

**Reimbursable Projects**

Reimbursable projects are water or sewer utility projects or research, governed by contract agreements, completed by SMMWC and reimbursed by the contracting entity. Funds for reimbursable projects are held in a separate bank account restricted for this purpose, and are offset by a reimbursable projects liability on the accompanying balance sheet. At December 31, 2019, SMMWC has reimbursable contract agreements with San Luis Bay Inn Timeshares, Inc.

**Subsequent Events**

Subsequent events have been evaluated through April 18, 2020, which was the date the financial statements were available to be issued.

**Note 2 - Concentrations of Risk**

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. SMMWC deposits its cash with high quality financial institutions, and management believes SMMWC is not exposed to significant credit risk on those amounts. At December 31, 2019, SMMWC had \$936,311 in excess of depository insurance limits.

SMMWC's income is generated from consumers who are also stockholders of the Company. Accordingly, concentrations of sales or receivables are expected.

**Note 3 - Restricted Cash**

SMMWC has multiple restricted cash accounts, consisting of capital and working capital reserves totaling \$3,049,369. Included in this amount is \$3,033,084 for repair and replacement of fixed assets, and \$16,285 for reimbursable projects, at December 31, 2019.

**Note 4 - Property and Equipment**

Depreciation expense totaled \$423,366 for the year ended December 31, 2019. Property and equipment consisted of the following at December 31, 2019:

	Estimated Useful Lives in Years	2018	Additions	Disposals	2019
Water and sewage distribution	15-45	\$ 9,457,134	\$ 178,478	\$ -	\$ 9,635,612
State water construction	39	836,072			836,072
Building	39	646,115	22,290		668,405
Vehicles	5-7	102,064	11,402		113,466
Office equipment	3-7	80,080			80,080
Land, Lot 17		130,424			130,424
Land, Lot 67		130,424			130,424
Property, plant and equipment at cost		11,382,313	212,170		11,594,483
Accumulated depreciation		(4,901,391)	(432,343)		(5,333,734)
Net property and equipment		<u>\$ 6,480,922</u>	<u>\$ (220,173)</u>	<u>\$ -</u>	<u>\$ 6,260,749</u>



**Note 5 - Line of Credit**

SMMWC has a \$350,000 business revolving line of credit with Wells Fargo Bank that matures on September 15, 2020. and is secured by SMMWC's certificates of deposit, and bears an interest rate of prime plus .5%, or 5% minimum on borrowed funds. There was no activity for the line of credit in 2019 and had no outstanding principal balance on December 31, 2019.

**Note 6 - Deferred Income Taxes**

SMMWC uses accounting methods that recognize depreciation sooner for income tax reporting than for financial statement reporting, resulting in a valuation difference that would normally create a deferred income tax liability. SMMWC has also accrued both federal and state income tax net operating losses over the past ten years, which would normally create a deferred income tax asset. The deferred income tax asset created by SMMWC's net operating losses exceeds the deferred income tax liability created by SMMWC's depreciation expense differences. A net deferred income tax asset totaling \$661,687 was calculated for the year ended December 31, 2019. Since SMMWC does not expect to utilize this deferred tax asset in the foreseeable future a valuation allowance totaling (\$661,687) that offsets the deferred tax asset was recorded, for net deferred taxes of zero at December 31, 2019. The net change in the net deferred tax asset and valuation allowance totaled \$66,824 for the year ended December 31, 2019.

SMMWC is subject to state income tax at 8.84% of taxable income, or \$800, whichever is greater. The provision for state income tax for the year ended December 31, 2019 was \$800.

**Note 7 - Contributed Capital**

SMMWC charges a monthly special assessment to all stockholders for the repair and replacement of property and equipment. This amount is recorded as additional paid in capital on the accompanying balance sheet, and totaled \$11,644,898, for the year ended December 31, 2019.

**Note 8 - Commitments and Contingencies**

SMMWC entered into agreements with San Luis Obispo County Flood Control and Water Conservation District, and the Central Coast Water Authority to bring state and local water to the area serviced by SMMWC in exchange for payment of SMMWC's pro rata portion of the state's water construction costs based on the annual amount of water requested, and its pro-rata share of ongoing operating and maintenance costs of the state water system. State water construction costs including capitalized interest and other fees totaled \$836,072, at December 31, 2019. See Note 4.

**Note 9 - Retirement Plan**

SMMWC offers an individual retirement account (IRA) retirement plan to its employees who work thirty or more hours each week and have completed ninety days of employment. SMMWC contributes an amount equal to three percent of all eligible employees' pre-tax wages each month. Participating employees are enrolled in the plan after six months of continuous employment, when all accrued retirement funds are placed in the plan trust. Retirement plan expense for the year ended December 31, 2019 totaled \$8,538.

**Note 10 - Rent**

Monthly transfers of \$2,000, or \$24,000 annually, are transferred from operations to capital reserves for use of the building. The amounts are recorded as building rent revenue and rent expense in the accompanying statement of income.

San Miguelito Mutual Water Company  
Operational Earnings Report  
Approved - 2020 Budget

**Water**

	2019 Budget	2019 Est. Actuals	2020 Budget
Water Revenue (w/o capital)	\$810,913	\$814,514	\$818,657
Residential	\$393,178	\$392,591	\$390,047
Commerical	\$161,847	\$174,387	\$161,847
Irrigation	\$204,576	\$184,213	\$204,576
State Water ( undeveloped shares)	\$51,312	\$63,324	\$62,187
Water Expenses	(\$806,140)	(\$850,482)	(\$857,400)
State Water	(\$342,000)	(\$415,542)	(\$401,500)
Operating Expense	(\$256,500)	(\$244,099)	(\$246,750)
Gen Admin Expense (50%)	(\$207,640)	(\$190,841)	(\$209,150)
Net Water Operational Earnings	\$4,773	(\$35,968)	(\$38,743)
			\$37,324 SW Reserves
			(\$1,419)

2020	Capital Fee \$
Water	\$256,152
Sewer	\$277,810
Total	\$533,962

**Wastewater**

	2019 Budget	2019 Est. Actuals	2020 Budget
Wastewater Revenue (w/o capital)	\$450,182	\$470,443	\$459,572
Residential	\$315,146	\$308,171	\$320,763
Commerical	\$127,004	\$151,224	\$130,549
Contract Customers	\$8,032	\$11,048	\$8,260
Wastewater Expenses	(\$457,840)	(\$414,341)	(\$456,900)
Operating Expense	(\$250,200)	(\$223,500)	(\$247,750)
Gen Admin Expense (50%)	(\$207,640)	(\$190,841)	(\$209,150)
Net Wastewater Operational Earnings	(\$7,658)	\$56,102	\$2,672
<b>SMMWC Overall Operating Earnings</b>	<b>(\$2,885)</b>	<b>\$20,133</b>	<b>\$1,253</b>

2019 YE	Operational	State Water Reserve	Capital Reserves
Estimate	\$80,000	\$226,753	\$3,525,319
Minimum Target	\$70,000	\$180,000	\$3,200,000

**San Miguelito Mutual Water Company  
Approved - 2020 State Water Budget**

State Water Reserves as of Dec 31, 2019	\$226,753	EST. Jan 2020 payment \$195,000.
State Water Reserves as of Dec 31, 2020	\$229,753	
Min Target	\$180,000	

		2019 Budget	2019 Est. YE	2020 Budget	Monthly Trans
Money Transferred to State Water Reserve Fund (223.22 AF/2017 81.17 %)	2019 81.27%	\$290,688	\$290,688	\$339,313	Funded @89% \$25,165.72
Developer State Water Reimbursement (51.76 AF/2017 18.83%)	2019 18.73%	\$51,312	\$63,324	\$62,187	
Investment Income, Late Fees, and Interest Income from SWR		\$3,000	\$4,700	\$3,000	
		<u>\$345,000</u>	<u>\$358,712</u>	<u>\$404,500</u>	
<b>CONTRIBUTIONS to State Water Reserve</b>					
DWR Charges for State Water - (275 AF)		(\$240,886)	(\$313,969)	(\$300,000)	
DWR Charges for State Water Drought Buffer		(\$31,614)	(\$32,073)	(\$32,000)	
CCWA(O&M Wheeling-State Water Aqueduct to Lopez)		(\$36,500)	(\$36,500)	(\$36,500)	
SLOFCWCD (O&M, Wheeling - Lopez to SMMWC)		(\$33,000)	(\$33,000)	(\$33,000)	
		<u>(\$342,000)</u>	<u>(\$415,542)</u>	<u>(\$401,500)</u>	
<b>PAYMENTS from State Water Reserve</b>					
<b>NET CHANGE to State Water Reserves</b>		<u>\$3,000</u>	<u>(\$56,830)</u>	<u>\$3,000</u>	

**Notes:**

1. Money Transferred to State Water Reserve is based monthly on Water Billing Revenue from shareholders.
2. Developer State Water Reimbursement payments are to cover reserved State Water allocations for current undeveloped property. These payments are made in January and July of each year.
3. Payments to DWR for the cost of State Water and the Drought Buffer are made in January (60%) and July (40%) of each year. DWR State Water Drought Buffer is money paid to insure that SMMWC's State Water allocation (of 275 AF) is covered in drought conditions.
4. CCWA (Central Coast Water Authority) charges are for the treatment, O&M and wheeling of State Water from the California State Aqueduct to Lopez via the Central Coast Branch. Fixed O&M (90% of charges) billed in May. Variable O&M (10%) billed quarterly.
5. SLOFCWCD (SLO Flood Control and Water Conservation District) charges are for the treatment, O&M and wheeling of State Water from Lopez (Zone 3) to SMMWC via CSA (County Service Area) 12.
6. DWR charges are primarily based on the full entitlement of 275 AFY. CCWA & SLOFCWCD (transmission charges) are based on a combination of entitlement, requested deliveries and actual deliveries. 275 Acre Feet is approximately 90 million gallons. (325,851 gallons per Acre Foot)
7. San Miguelito accounting is accrual basis, meaning the amount shown in Developer State Water Reimbursement, is the amount that has been invoiced not received. An accrual to cash adjustment has been added to show monies still outstanding for state water invoices.

**San Miguelito Mutual Water Company**  
**Approved - 2020 Capital Summary Reserve Report**

	2019 Budget	2019 Estimated YE	2020 Budget
<b>Capital Reserve Inflow</b>			
Capital Reserve Fee Income (developed)	\$529,594	\$529,594	\$533,962
Capital Reserve Fee Income (undeveloped)	\$134,160	\$134,160	\$133,536
Investment Interest	\$20,000	\$40,000	\$30,000
Sycamore Capital Rent	\$45,420	\$45,420	\$45,420
SMMWC Office Building Rent	\$24,000	\$14,000	\$25,200
Total Capital Reserves Inflow	<u>\$753,174</u>	<u>\$763,174</u>	<u>\$768,118</u>
<b>Capital Reserve Outflow</b>			
System Infrastructure Projects	(\$278,500)	(\$250,000)	(\$257,000)
2018/2019 Special Projects (funded \$150,000. from res)	(\$250,000)	(\$25,000)	(\$40,000)
Total Capital Outflow	<u>(\$528,500)</u>	<u>(\$275,000)</u>	<u>(\$297,000)</u>
Net Capital Reserves	<u>\$224,674</u>	<u>\$488,174</u>	<u>\$471,118</u>

**NOTES                      2020**

1. Operating Earnings Transferred to Capital Reserves should be at least equal to the number of active shares times the implicit water and sewer Capital Charges per month. Then times 12 months for the year.

2. Contribution from Gross Operating Earnings + Capital Reserve fee income from active shares should be at least equal to the Depreciation Expense. As of December 31, 2018 Depreciation Expense was about \$352,302.

3. Capital Reserve Fee Income is a capital assessment that applies only to those shares where the developer is not developing their property, but must participate in their share of SMMWC capital improvements.

4. 2020 Office building rent of \$2,100 per month is paid to Capital Reserves, which funded the building.

Capital Fee		
	Water	WW
2019	\$26.00	\$26.00
2020	\$26.00	\$26.00

San Miguelito Mutual Water Company  
Approved - 2020 Capital Projects Report

System Infrastructure	Water/ Wastewater	Acct #	Staff/ Contract	Priority	Start QTR	Finish QTR	Capital Labor	2020 Budget Primary	Spent YTD	2020 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
<u>Water</u>													
Tank 300 Paint Outside	W		S/C	High				\$20,000					
Tank 550 Paint, Inspect, and Replace Staff Gage	W		S/C	High				\$60,000					
Door Replacements at Booster Stations	W		C	High				\$6,000					
Tank 400 Clean Out	W		S/C	Med				\$5,000					
Abandonment of 8" Steel Line Behind WTP	W	1428.3	S/C	Med				\$60,000					
Telemetry System Implementation Phase	W	1420.1	C	Med				\$8,500					
Meter Replacement	W		S	Med				\$15,000					
<u>Wastewater</u>													
Transfer Switch at LS1	WW		C	High				\$50,000					
Door Replacements at Lift Stations	WW		C	High				\$19,000					
Building and Repair at Lift Station 2	WW		C	Med				\$10,000					
Telemetry System Implementation Phase	WW	1420.5	C	Med				\$8,500					
<u>Other</u>													
<u>Capital Labor Reimbursement</u>													
SYSTEM PROJECTS								\$15,000					
2018 Capital Projects Water/WW Totals								\$0	\$257,000	\$0	\$0	\$0	\$0
Remaining Balance													
<u>Special Projects</u>													
*The Pismo Well Formation		1424.4	C										
*Repair and Maintenance of the Weir		1426.5	C					\$40,000					
<u>Capital Labor Reimbursement</u>													
SPECIAL PROJECTS													
2018 Special Projects Totals								\$0	\$40,000	\$0	\$0	\$0	\$0
Remaining Balance													
<u>2018 Total Capital Projects</u>								\$297,000					

\* Special Projects must have BOD approval before monies are spent

LEGEND	
Priority:	Projects In:
HIGH - Critical for System Operations	White - Have not been started
MED - Recommended Improvement to System	Grey - Have been started
LOW - Can be Postponed	Lined Through - Have been canceled
DEF - Project has been Deferred	

**SAN MIGUELITO MUTUAL WATER COMPANY  
RATE SCHEDULE  
2020**

2/21/2020

**RESIDENTIAL - Shareholders**

Water Rates	Monthly Availability Charge (includes capital reserve) 5/8", 3/4" & 1" residential meters	\$56.28
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1,500 gal. to 10,000 gal.	\$1.120
	10,000 gal. to 50,000 gal.	\$1.380
	50,000 gal. & over	\$1.480
Sewer Rates	Monthly Availability Charge (includes capital reserve)	\$69.16

**COMMERCIAL, IRRIGATION & CONSTRUCTION - Shareholders**

Water Rates	Monthly Availability Charge (includes capital reserve) 3/4" or smaller meter	\$84.42
	1" meter	\$140.70
	1 1/2" meter	\$281.40 (hydrant mtr)
	2" meter	\$450.24
	3" meter	\$844.20
	4" meter	\$1,238.16
	6" meter	\$2,814.00
	8" meter	\$4,502.40
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1500 gal. to 3500 gal.	\$1.120
	3500 gal. to 15000 gal.	\$1.380
	15000 gal. to 50000 gal.	\$1.480
Commercial Sewer Rates	Per 3000 gal. Water Usage ( <u>minimum</u> charge \$69.16 - includes capital reserve)	\$69.16

**CAPITAL RESERVE FEE - Shareholders**

Monthly Undeveloped Shares (per share)	\$52.00
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**MISCELLANEOUS MONTHLY CHARGES**

Dormant Account Charge	\$87.60
Water Softener Surcharge	\$150.00
Special Meter Read Fee (Sub-meters)	\$25.00

## SERVICE CHARGES & FEES

Administration Fee	\$25.00
New Account Set-up Charge	\$35.00 (one-time fee)
Share Transfer w/certificate	\$125.00
Lost Share Fee (additional charge)	\$125.00
State Water Allocation (undev property)	% of County Chg
Disconnect Fee/Cust Req Mtr Shut Off	\$50.00
Reconnection Fee - Cust Req	\$50.00
Reconnection Fee/Mtr Shut Off Non Pay(during business hours 8am-3:30pm)	\$50.00
Reconnection Fee/Mtr Shut Off Non Pay(after business hours)	\$150.00
Return Check Fee - SW	\$25.00
Meter Testing (per occurrence)	\$130.00
New Meter Installations	\$700.00
(standard installation 1" or smaller meter)	
New Meter Installations	Time & Material
(1 1/2" and larger meters and all meter downsizing)	
Misc. Receivables	Time & Material
Copy Cost-Hard, Scanned or Emailed (1st. three pages free per mo)	.33 per page

## TIME & MATERIAL RATES

HOURLY LABOR RATES	REGULAR (7 am - 3:30 pm)	AFTER HOURS (3:30 pm - 7 am)
General Manager	\$95.00	\$142.50
Utility Manager	\$75.00	\$112.50
System Operator	\$60.00	\$90.00
Laborer	\$40.00	\$60.00
Clerical	\$50.00	\$75.00

Note: Staff time will be portal to portal.

### Expenses

Reimbursement for expenses included, as a direct result of the scope of work or at the request of the customer will be invoiced at cost plus 15%.

- All material used in drawing, printing and reproduction
- Postage and delivery charges
- Long distance telephone and data transmission
- Outside professional consultant/contractor fees
- All material required for installation and repair

## PENALTIES & INTEREST

-Utility Billing Late Penalty (after the 28th of mo)	10% of balance
-Secondary Receivables Late Penalty (after 30 days)	10% of balance
-Interest - 60+ days (all receivables)	1.5% of balance per month

## BILLING SCHEDULE

### Utility Billing

-Meters are read at the end of each month and all charges are billed monthly on the 1st of the next month, due on the 28th.

### Secondary Receivables

-State Water Availability for Undeveloped Properties - Billed in January and July each year - net 30.

-Time & Material Receivables - Billed at time of service - net 30.

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NOTE: Contracts for Non-shareholders are established on a case-by-case basis to include, but not limited to, standard shareholder usage charges plus a 30% surcharge, capital fees, legal and administrative costs.



# San Miguelito Mutual Water Company

## General Manager's Report

Meter and Share Activity – In 2019 we installed no new residential water meters. As of May 2020, our totals for meters and shares are as follows:

### Meter Summary

Residential	628
Commercial	20
Irrigation	34
Total	682

### Share Summary

Residential	632
Commercial	195
Inactive	214
Total	1,041

Water Production 2019 – Last year we produced 51,480,686 gallons (158 acft) of water. 123 acft (78%) was delivered by State water with the other 35 acft (22%) coming from our wells. Throughout 2019, we consistently blended our state water with our well water. During the drier months our well water was frequently used to offset peak demand flows especially on weekends.

The distribution of our water use is:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Residential	54%	54%	53%	56%	56%	52%	52%	55%	54%	53%	53%
Commercial	21%	19%	19%	22%	21%	21%	20%	20%	21%	21%	21%
Irrigation	21%	23%	24%	18%	18%	22%	25%	23%	23%	24%	25%
System	4%	04%	04%	04%	05%	05%	03%	02%	02%	02%	01%

Wastewater Production – For 2019, our treatment plant processed 85 acft of wastewater. Average Daily flows varied from a low of 66,499 gals per day in October to a high of 88,802 gals per day in July.

State Water 2019/2020 – For 2019 we requested 120 acft to be delivered. We are requesting the same amount for 2020. According to the County, SMMWC had 275 acft available for use during the 2019 year. By the end of 2019 the DWR had raised the deliveries to 75%, for 2020 the DWR is delivering 15% as of April.

# **San Miguelito Mutual Water Company**

## **Operations Report**

### **2019**

#### **Systems Maintenance**

Staff continues to do preventative cleaning of the wastewater systems in most neighborhoods (IH, PP, KM, MG, AVO, Comm).

Staff painted and refurbished pumps, hydrants, pipes, vents and electrical panels throughout the system.

Staff continued to proactively remove tree roots from our sewer lines and manholes.

We also cleaned the force main between lift station 1 and 2.

#### **Capital Projects**

We replaced worn and cracked flex joints and couplings.

For our Telemetry System we installed antennas and solar panels at tank sites 100 & 200 to complete the network for our telemetry/ SCADA monitoring system.

All old meters were replaced in Skylark Meadows and Silver Oaks.

We completed a reconfiguration of Pond 2 that included the draining, sludge removal, dirt work, redesign and refill.

We replaced old aerator with a new one.

There was new fencing installed around the WWTP.

#### **Special Projects**

The new Pismo Formation Coffeeberry well was pilot tested in August.

We received grant money thanks to the assistance of Salmon Enhancement and the Dept. of Fish and Wildlife for the Marre Weir fish passage.

#### **Unscheduled**

Water service to the Fire Station broke. Repairs to the line were made and the street work was completed.

Water service to the Avila Bay Athletic Club broke. Repairs to the line were made and road was completed.

Line break near the guard shack at the roundabout. Repairs to the line were made and completed.

### **2020**

#### **System Maintenance**

Staff is planning to replace a mainline valve in Pelican Point. Generator load testing is scheduled for this year. Staff will be flushing the system and exercising the valves. They will also continue to replace old meters and refurbish and paint hydrants and infrastructure as needed.

#### **Capital Projects**

1. Maintenance and paint for tanks 300, 550, and 400.
2. Continue replacement of old water meters, in Kingfisher.
3. Abandon the 8" steel line behind the water treatment plant.
4. Replacement of all Booster Station and Lift Station doors.
5. Make improvements to the building at Lift Station 2.
6. New Transfer Switch at Lift Station 1.
7. Continue to add data acquisition receivers to the SCADA system.