



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 2, 2025

FROM: PUBLIC UTILITIES WARDS: ALL

SUBJECT: SHAREHOLDER PROXY AUTHORITY, ASSIGNMENT OF SHARES, AND REPRESENTATION FOR MUTUAL WATER COMPANIES.

ISSUE:

Approve the shareholder proxy authority and assignment of shares as outlined in this report.

RECOMMENDATIONS:

That the City Council:

1. Confirm the shareholder proxy authority for individuals and their alternates holding the positions listed in Table 1, in the report;
2. Delegate authority to any designated individual holding the positions or their alternates listed in Table 1 to vote the City's shares as the City's proxy at all meetings for the respective mutual water companies;
3. Confirm the Mutual Water Company Board nomination eligibility list in Attachment A;
4. Authorize the City Manager's Office and the Public Utilities General Manager to solicit interest from the Mutual Water Company nominee list in Attachment A and direct the City's proxy to vote the City's shares in the relevant Mutual Water Company board elections in a manner consistent with the City's adopted policies;
5. Authorize the assignment and recalling of shares and authorize the Mayor to execute any documents necessary to effectuate the shareholder proxy authority, as necessary for each Council, Board, or City staff representative serving on the mutual water companies listed in Attachment A; consistent with the City's adopted policies.

BOARD RECOMMENDATION:

On February 10, 2025, the Board of Public Utilities voted unanimously to recommend that the City Council approve the Shareholder Proxy Authority, Assignment of Shares, and Representation for Mutual Water Companies.

BACKGROUND:

The City owns shares in the mutual water companies listed in Attachment A that provide water rights, water production facilities, conveyance assets, and, in some cases, obligations to serve water to shareholders. These water companies have Boards, staff, and owners to manage the company's assets to meet the expectations of its shareholders. As a shareholder, the City is entitled to vote in each company's annual board of directors' election. The Public Utilities Department staff, including Public Utility Board members, typically represent the City on these mutual water company boards to ensure they operate in a manner that protects the City's water interest. The mutual water company boards are operational in nature and are tasked with maintaining the company's assets to ensure water delivery to its shareholders.

DISCUSSION:

The City follows a three-step process to determine its representation on the Boards of the mutual water companies in which it holds shares.

Step 1 – Designation of Proxy Authority:

The City Council designates a proxy to serve as the City's authorized representative. The proxy is empowered to nominate and cast votes for individuals to serve on each mutual water company board. The proxy authority also extends to routine shareholder matters consistent with each company's Articles of Incorporation and Bylaws. Additional details regarding the proxy designation process are provided in the "Proxy Authority" section of this report.

Step 2 – Selection of Mutual Water Company Board Representatives:

The City Council approves a nomination eligibility list of individuals to serve as its representatives on each respective mutual water company Board. These individuals are selected for nomination by the City's proxy and receive the City's shareholder votes through the designated proxy. The process for identifying and recommending nominees is outlined in the "Mutual Water Company Board Member Selection" section below.

Step 3-Assignment of Stock Certificate:

Certain mutual water companies require shares of stock to be assigned to individual members representing the City's interest for nomination eligibility. For example, the Gage Canal Company, the Meeks and Daley Water Company, and the Trujillo Water Company require City representatives to hold a share of stock, which is returned to the issuing Mutual Water Company once the individual is no longer serving. To ensure adequate representation and, importantly, to facilitate immediate replacement of members when terms expire or unexpected vacancies occur, staff request approval to assign mutual water company shares to the City representatives listed in the eligibility list "Attachment A" for those members or their replacement who have been selected to serve on each Mutual Water Company Board.

Proxy Authority

As described above, selecting the City's proxy is the first step in ensuring the City may nominate and vote for individuals to serve on the Boards of the mutual water companies in which it holds shares. This process is time-sensitive, as the proxy must submit nominations and cast votes at the scheduled annual shareholders' meetings.

The Mutual Water Companies' assets are part of the City's water system. Therefore, the Riverside Public Utilities (RPU) General Manager has historically been delegated by the City Council the responsibility of serving as a proxy or recommending proxy representatives. The selected proxy

must then submit nominations and cast votes at the scheduled annual shareholders' meetings. Delegating these responsibilities to Department leadership ensures that proxy representatives can exercise informed judgment on matters affecting the City's water supply and related infrastructure.

RPU has identified two primary and two alternate proxy representatives, a measure taken to ensure continuous representation in the event of staff turnover or unforeseen absences. This emphasis on continuity is crucial in preserving the City's voting rights in the absence of the primary proxy, thereby ensuring stability in the City's representation. The proxy's authority also extends to routine shareholder matters consistent with each company's Articles of Incorporation and Bylaws, including the election of directors and other actions requiring shareholder approval.

Recommended proxy assignments and alternates are presented in Table 1, organized by Public Utilities Department position. Assigning proxy authority by position provides the necessary flexibility to maintain uninterrupted representation in the event of staff changes or vacancies. The RPU Board endorsed this approach in February 2025.

For City Council consideration, staff recommends affirming the designated list of proxy voting representatives and alternates for shareholder meetings of the mutual water companies in which the City holds shares, and authorizing employees in these designated positions to vote the City's shares as its official proxy at all meetings of the respective mutual water companies.

Table 1
Shareholder Proxy Authority

Mutual Water Company	RPU Voting Representative	Alternate
Gage Canal Company	Assistant General Manager (Water) or General Manager	Engineering/Operations Manager or Principal Engineer
Jurupa Ditch Water Company	Assistant General Manager (Water) or General Manager	Engineering/Operations Manager or Principal Engineer
Riverside Highland Water Company	Assistant General Manager (Water) or General Manager	Engineering/Operations Manager or Principal Engineer
Trujillo Water Company*	Board of Public Utilities, Chair	Board of Public Utilities Vice Chair
Meeks & Daley Water Company	Assistant General Manager (Water) or General Manager	Engineering/Operations Manager or Principal Engineer

*Trujillo Water Company Bylaws call for the RPU Board to serve as Board members

Mutual Water Company Board Member Selection

Before 2015, the City Council assigned the responsibility for selecting Mutual Water Company Board Members to the RPU General Manager. However, in 2015, the City Council approved the approach of creating an eligibility list of nominees approved by the City Council, intended to foster transparency. The process involves creating a list of all current City Council, RPU Board, and staff members for consideration of nomination to the Mutual Water Company Boards. The current recommended eligibility list is included in Appendix A. Once the City Council approves the eligibility list, the RPU General Manager is responsible for ensuring coverage on each Mutual Water Company Board using the individuals listed on the eligibility list. The RPU General Manager consults with the City Manager's office and solicits interest from the eligibility list to serve on these

Mutual Water Company Boards. Based on the eligibility list, the designated proxy for each Mutual Water Company then selects individuals for nomination based on the needs and interests of the City. Each mutual water company board has its own set of processes for serving on its board; thus, the discussion below describes the unique processes for each.

Gage Canal Company

The Gage Canal Company has 11 board members, who are nominated and voted upon by its shareholders at its annual Shareholders' meeting. The City's historical practice is to nominate no more than three members to the Gage Canal Board. The practice of seating only three City representatives on the Gage Canal Board dates back to the initial 1965 condemnation negotiations. Historically, the RPU General Manager has received interest from two RPU Board members and assigned a City staff member to represent the City on the Gage Canal Board. The Gage Canal holds nine monthly meetings on Tuesdays at 9 a.m.

Meeks and Daley Water Company

In 1996, the Meeks & Daley, Agua Mansa, and the Alta Mesa Water companies merged to form the Meeks & Daley Water Company. The City held an interest in each of these mutual water companies. This merger combined the City's interests and water rights for each Company, with the City having a 39% share and 3,008 acre-feet of groundwater rights. The City's Meeks & Daley water production is primarily from the Bunker Hill Basin, where it utilizes its groundwater production facilities to meet its water needs. The Meeks & Daley Water Company operates with a five-member Board, with Riverside traditionally holding two seats.

The RPU General Manager has historically appointed the RPU Water Assistant General Manager and the Water Engineering Manager to serve on the Meeks and Daley Board due to their knowledge of the City's groundwater rights and the operational nature of the Meeks and Daley Board. The Meeks and Daley Mutual Water Company holds quarterly Monday meetings at the Elsinore Valley Municipal Water District's office at 10 a.m. These meetings are held to discuss operation and maintenance functions, groundwater production reporting, and water-level trends.

Riverside Highland Water Company (RHWC)

RHWC, a mutual water company, serves the Grand Terrace community in San Bernardino County, providing potable and irrigation water to its shareholders. The City, a minority shareholder with 8.5% ownership, holds 440-acre feet of groundwater rights, which the City has agreed to produce from its wells in the Bunker Hill basin.

With a nine-member board, RHWC operates with the participation of all its shareholders, including the City. While the City's shareholding does not grant direct board representation, it exercises its voting rights via proxy at the annual shareholders meeting, endorsing the slate of electors recommended by RHWC when doing so is consistent with the City's interests. The RPU General Manager or Assistant General Manager has traditionally been assigned proxy authority.

Trujillo Water Company

The Trujillo Water Company was established in 1910 and received irrigation water deliveries from the Riverside Water Company. In 1959, the City of Riverside acquired the Riverside Water Company by condemnation, including its water-delivery obligations to the Trujillo Water Company, and thus must provide irrigation water deliveries to four shareholders representing 22 percent of the company's shares.

The Trujillo Water Company annual shareholder and business meeting is held during a planned recess at the RPU Board meeting, typically in May or June. Article IV, Section 1 of the Trujillo Water Company Bylaws states that members of the RPU Board shall serve on the Trujillo Water

Company Board, and the RPU General Manager or an Assistant General Manager serves as the General Manager for the Trujillo Water Company. The Trujillo Water Company consists of a nine-member board, allowing seven RPU Board members to serve.

Jurupa Ditch Water Company

When the City acquired the Riverside Water Company in 1959, it assumed its obligation to supply water to the Jurupa Ditch Company. The Jurupa Ditch Company serves the area of Rubidoux along the Santa Ana River. City groundwater wells located at the headway to the ditch in the Santa Ana River floodplain supply the water to the Jurupa Ditch Water Company.

Jurupa Ditch Company meets each year in January and has a five-member board. Riverside owns 10 shares, approximately three percent of the total. The City has no Board representation on the Jurupa Ditch Board.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by:	David A. Garcia, Utilities General Manager
Certified as to	
availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Rafael Guzman, Assistant City Manager
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney
Attachment:	Mutual Water Company Information and Share Assignment Eligibility (Attachment A)