



CITY OF POMONA COUNCIL REPORT

November 16, 2020

To: Honorable Mayor and Members of the City Council

From: James Makshanoff, City Manager

Submitted By: Chris Diggs, Water Resources Director

**SUBJECT: ADOPT A RESOLUTION AUTHORIZING THE DISSOLUTION OF
CANON WATER COMPANY**

RECOMMENDATION:

It is recommended that the City Council adopt the following resolution:

**RESOLUTION NO. 2020-159 – A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF POMONA, CALIFORNIA, AUTHORIZING THE
DISSOLUTION OF CANON WATER COMPANY**

EXECUTIVE SUMMARY:

Starting in 1937, the City of Pomona started purchasing Canon Water Company stock for the purposes of acquiring a reliable source of water for its residents and business owners. After an exhaustive search for City records, no other owners of stock could be located, leading to the determination, the City likely owns all of the company's stock.

The company's board of directors, which are all City staff, have determined that dissolving the company will reduce the operating costs of the City's water utility. Cost reductions will be achieved by the elimination of completing and filing tax returns, completing audits, and conducting company related meetings. At this juncture, staff is recommending dissolving the Canon Water Company.

FISCAL IMPACT:

Staff anticipates the annual saving the City's utility approximately \$10,000. As mentioned, these savings will come from the elimination of completing and filing tax returns, completing audits, and conducting company related meetings.

PREVIOUS RELATED ACTION:

None

DISCUSSION:

Water rights history in Pomona dates back more than 150 years. One of the first water companies in the Pomona area dates as far back as 1874, which possessed many of the water rights the City utilizes to this day. Although those same water rights have changed hands numerous times, many of them finally landed in the hands of what was called the Canyon Water Company in 1897. At some point, the “y” was dropped, and the now Canon Water Company managed the distribution of waters coming from the San Antonio canyon to the Pomona area. Over the next few dozen years and a couple of judgments later, the division of water rights coming from the San Antonio canyon was established to what we have to this day. Forty percent of San Antonio creek is delivered to the City of Pomona through the conveyance system of the Canon Water Company. The remaining 60 percent is diverted to the San Antonio Water Company.

In 1937, the City started purchasing Canon Water Company stock, with the majority of it coming in 1952-1969. Having researched not only the complete ownership of the Canon Water Company, staff researched the ownership of the four water companies that make up Canon Water Company that being Avenue Line Mutual Water Company, Harrison Avenue Water Company, Kingsley Tract Water Company, and North Palomares Water Company. To that end, a determination was made, no other owners of these companies could be located other than the City of Pomona, with one minor exception, the City delivers up to 16-acre feet of water annually to prior rights owners. These shares will not be impacted by this action as these deliveries will continue to receive water from their water rights. This all being the case, there no longer exists a need for the Canon Water Company to operate. And by dissolving, the company expenses can be reduced, including completing and filing tax returns and audits and legal expenses. This being the case, a decision was made to seek Council approval to dissolve the company.

Today the company’s single piece of infrastructure is a water pipeline that delivers water from north of the San Antonio Dam to its south, which eventually terminates at the City’s Pedley surface water treatment plant. The company’s board of directors comprise of City staff, which over the years had included Public Works, Finance, and Water Resources, but today is wholly Water Resources. Recently Water Resources Department staff discussed the process of dissolution of the company for two basic reasons: 1. reducing operating costs, and 2. increasing transparency within the Water Resources Department. After discussions with the City Manager and the City Attorney, a course of action was set to seek Council approval for dissolution.

At this juncture, staff is seeking approval of the attached resolution, which approves the necessary actions to dissolve the company. This process, provided by the City Attorney’s office, follows the prescribed procedures required by law. Once the dissolution process is completed, operations of the company’s assets will proceed as they have for 123 years.

Prepared by:

Chris Diggs
Water Resources Director

Adopt a Resolution Authorizing the Dissolution of the Canon Water Company

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ATTACHMENTS:

Attachment No. 1 – Resolution No. 2020-159

Attachment No. 2 – Plan of Dissolution - Canon Water Company

Attachment No. 3 – Resolution of the Board of Directors – Dissolution