

# San Gorgonio Pass Water Agency

**DATE:** December 4, 2023  
**TO:** Board of Directors  
**FROM:** Lance Eckhart, General Manager  
**BY:** Tom Todd Jr., Chief Financial Officer  
Jeff Ferre, General Counsel  
**SUBJECT: NONPROFIT: NEXT STEPS – NAME AND PURPOSE**

## RECOMMENDATION

The Board provide direction and take action as to the name, purpose and structure of the nonprofit corporation previously authorized by the Board.

## PREVIOUS CONSIDERATION

- Board Meeting – November 6, 2023: The Board reviewed and approved formation of a nonprofit corporation.
- Finance and Budget Committee Meeting – October 19, 2023: The Committee reviewed a presentation by legal counsel and recommended making the presentation for consideration by the Board.

## BACKGROUND

At the November 6, 2023, Board meeting, the Board took action to authorize the formation of a nonprofit corporation which could be used for purposes such as funding sponsorships and events through the use of non-rate revenue and could potentially be used as an instrument for the acceptance of property donations. Certain steps need to now be taken for the formation of a nonprofit under the Nonprofit Public Benefit Corporation Law pursuant to Section 501(c)(3) of the Internal Revenue Code.

## ANALYSIS

Set forth below are the decisions Staff would request that the Board provide direction on, as well as some draft answers to help guide the discussion and action:

1. What should be the name of the nonprofit?

Proposed/draft answer:

San Gorgonio Pass Water Agency Foundation

2. In connection with development of the Articles of Incorporation and Bylaws, what is the stated purpose of the nonprofit?

Proposed/draft answer:

- (a) To promote the knowledge and implementation of the Agency's mission, which is to import supplemental water and to enhance local water supplies.
- (b) To accept the transfer of and utilize non-rate revenue received by the Agency.
- (c) To utilize such non-rate revenue to fund the nonprofit's activities including community events or sponsoring a third party's community event (both of which would still need to be tied to the mission of the Agency).
- (d) To receive, invest and utilize property acquired through the solicitation of contributions, donations, grants, gifts, bequests, and the like for the purposes for which the Foundation was formed.

3. How would the nonprofit be governed?

Proposed/draft answer:

The board of the nonprofit would be the same as the Agency Board, which is comprised of seven (7) elected Board members.

The nonprofit would not have any "ex-officio" (additional) board members, nor any separate "members."

The nonprofit board could hold meetings on a quarterly basis before or after an Agency Board meeting.

4. In connection with filing the applications for tax exemption, would the annual gross receipts of the nonprofit exceed \$50,000 in any of the next three (3) years?

Proposed/draft answer:

If the answer is no, then the applicable short-form exemption applications can be filed.

## **FISCAL IMPACT**

As previously mentioned, there is an attendant cost to forming a nonprofit, as well as costs to make yearly filings and pay ongoing fees to keep the nonprofit in good standing. Here are some estimates for the costs/fees for formation of a nonprofit and to maintain the nonprofit in good standing:

Formation Costs - Filings - for example,  
Secretary of State, IRS, etc. - Approximately \$1,000.00

Attorney/Paralegal Time - Approximately \$5,000.00  
Total – Approximately \$6,000.00

Annual Fees

Secretary of State filing, etc. – Approximately \$250.00  
Audits, Audit Reviews, or Audit Compilations – \$500 to \$5,000

**ACTION**

The Board provide direction and take action as to the name, purpose, and structure of the nonprofit corporation previously authorized by the Board.