

RANCHO PAUMA MUTUAL WATER COMPANY ("RPMWC")
MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
HELD September 16, 2019

Directors Present: Steve Wehr, Chuck Bandy, Son Do and Bruce Knox

Directors Absent: Laurie Kariya

Also Present: Shareholders Jim Cipriano, Larry Luther and Charles Mathews; Jeff Pape of Dudek;
General Manager Bobby Graziano and Office Manager Amber Watkins

1. **Call to Order:** Meeting was called to order at 10:01 a.m. by President Wehr.
2. **Shareholder Comments:** Cipriano noted that the Jilberto's further east on Hwy 76 is closed due to a water quality issue; and asked if RPMWC is in the same basin. Graziano informed that RPMWC does share a basin however, the water quality issues at that location are not affecting our district. Graziano reported that that area is serviced by Pauma Valley Water Company and no solution is in place yet. Cipriano noted that the slated nominees for the upcoming election process is inconsistent with Article 3 of the By Laws. Knox informed that the most recent changes were reviewed by legal counsel before being reviewed by the Board. Graziano commented that the language Cipriano quoted talks about current litigation b/n a board member and the district and not the potential of litigation at some future time.
3. **Approval of Previous Minutes**
 - a. Minutes of Jul 29, 2019 – Knox and Do clarified statements made in 6a. Bandy noted that budget discussion and variations are to be discussed at the next meeting. Upon a motion by Wehr, second by Knox the minutes of the Regular Meeting held on July 29, 2019 were approved pending the changes requested herein.
4. **Reports**
 - a. Sources and Usage Report: Presented for review. Graziano noted that McMillan Farm Management has exhausted their Tier 1 and 2 annual allocation; for the remainder of the year all water will be Tier 3. Graziano noted that all should expect similar usage for September.
 - b. Account Totals: Presented for review. Graziano noted that item EE can be used as a quick reference to see the number of units sold.
 - c. Slippage Report & Well Data: Presented for review. Graziano was pleased to report that Well 40 is online. Graziano noted that the water quality has improved as the well has been used. Graziano reported that the formerly stranded asset is running 24/7 and will continue to do so until it is no longer needed. Do offered to review the test results for this well and create a rose plot. Do noted that Well 32 is pulling strong and asked if the well gets time to rest; Graziano noted that Well 32 goes directly into the PVCC pond and has the highest pumping capacity.
5. **Financial Report**
 - a. B/S, P&L as of Jul 31, 2019: Watkins reported that cash total is currently \$1,160,670; accounts receivable \$169,730; accounts payable \$412,704.
 - b. B/S, P&L as of Aug 31, 2019: Watkins reported that cash total is currently \$1,119,614; accounts receivable \$286,578; accounts payable \$337,004. Watkins reported that a large portion of the pipeline project has been paid and that the reservoir rehabilitation project has now been paid in full; Graziano noted

that as of today's date the total cash is \$773,018. Watkins noted that the CPA suggested moving the \$50,000 paid for the SGMA Technical Study onto the Balance Sheet. Watkins noted that the new truck has been leased and the down payment and first monthly installment payment is under vehicles expense. Watkins also noted that the RPMWC portion of the CalPERS Unfunded Liability has been paid in full as well as the CalPERS Side Fund which was accruing 7.5% interest. Graziano noted that our new CPA has been incredibly helpful in scrubbing the reports. Upon a motion from Knox, second by Do and unanimous vote the financial reports for July and August were approved as presented.

6. **Operation & Discussion Items**

a. **Project Updates:** Pape reported that the tank project has been completed; noting that the repairs should last for roughly 15 years. Pape noted that the tank will be inspected after one year and then the cathodic protection will be turned on. Pape reported that it was placed back into the system on September 9th. Pape noted that the smaller tank has already been taken care of and divers will continue to monitor that one as well. Graziano noted that the pipeline project has completely crossed the golf course and walk throughs have already been performed. Graziano noted that many irrigation lines were discovered during the project which lead to many repair and delays. Graziano noted that RPMWC will pay for the reseeding and labor to make those irrigation line repairs. Graziano reported that around 2009 a pipeline was installed on a piece of Turnbull's property. That piece of property has since been designated as open space reserve, which is going to hinder RPMWC from continuing the Ag Transmission Main through that area. Staff was instructed to cost out another route which avoids the Turnbull property. Graziano intends to certify the pipeline as potable for the time being; and noted that the potable network has been greatly enhanced by doing so.

b. **Draft Budget:** Graziano presented a draft budget noting that Tier 1 and Tier 2 pricing have not been increased in the last 3 years. Graziano has excluded Yuima MWD purchases from the budget assumptions since McMillan Farm Management now has a direct connection with Yuima. Bandy suggested locating the new well location and wait to drill for another year. Pape noted that small rate increases over time are easier for shareholders to accept. Do noted that this operation is a non-profit and asked if we really need that extra money; Bandy informed that we do need to cover CapEx projects. Graziano presented a model which increases Tier 1 and Tier 2 prices by 10% and Tier 3 reduced to \$4.00 for potable and \$3.00 for nonpotable. Graziano also suggests an increase to the fixed charges as well. Staff was instructed to move forward with these suggestions and provide a 5 year CapEx plan at the next meeting.

c. **Shareholder Water Allocation Transfer Request:** Graziano reported that PVCC is requesting to utilize Pauma Valley Investors 118.6 water shares for the remainder of this fiscal year. Graziano noted that PVCC has not been using the water from TY Nursery; Graziano will monitor this moving forward to ensure PVCC is maximizing their available water. Staff was instructed to review the RPMWC policy at another time in the future for improvements unrelated to the topic being discussed. Knox motioned to authorize staff to transfer the 118.6 water use shares from PVI to PVCC for the remainder of this fiscal year, seconded by Wehr and unanimously approved.

d. **Capex Schedule:** Presented for review.

7. **Adjournment:** With the next meeting date set for October 21, 2019 at 2 p.m. and no further business to discuss and upon motion made by Knox, seconded by Wehr and unanimously carried the meeting adjourned at 12:06 p.m.

Amber Watkins

Amber Watkins, Recording Secretary