

RANCHO PAUMA MUTUAL WATER COMPANY ("RPMWC")
MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
HELD June 27, 2018

Directors Present: Charles Mathews, Brad Smith, Chuck Bandy, Son Do and Laura Kariya
Also Present: Shareholders Jim Cipriano, Bruce Knox, Todd Nicol and Steve Wehr; General Manager of PVCC Paul Devine and Superintendent of PVCC Scott Lewis; residents Jim and Jane Anderson; Jeff Pape of Dudek; General Manager Bobby Graziano and Office Manager Amber Watkins

1. **Call to Order:** Meeting was called to order at 1:00 p.m. by President Mathews.
2. **Shareholder Comments:** Knox asked that the board consider budget accuracy. Knox asked that the board stop accumulating cash and begin reducing water prices; Mathews thanked him for his comments and informed that a response will be available at the next meeting. Bandy suggested that item 4g be discussed in Closed Session; Mathews noted that once the Agenda is published, such changes are not allowed.
3. **Approval of Previous Minutes:**
 - a. Minutes of June 1, 2018: Bandy noted that Item 4g should reflect that prequalification process for the tank rebuild is to start as soon as possible. Upon a motion by Bandy, second by Smith and unanimous vote, the minutes of the meeting held June 1, 2018 were adopted pending the changes requested herein.
4. **Operation & Discussion Items:**
 - a. Sources and Usage Report: Presented for review; Pape noted that we on track for the basin draw limit of 600,000 units.
 - b. Account Totals: Presented for review. Graziano explained that 1215 units of Rollover Credit was a rate change for PVCC; this credit allowed the Tier III pricing to be reduced to Tier I pricing.
 - c. Slippage Report & Well Data: Pape reported that the overall loss of 5.30% is within the standard range. Mathews inquired as to why the number change from month to month; Pape informed that many factors such as blowing off fire hydrants, constant leaks etc. can cause this number to fluctuate.
 - d. SB 606 / AB 1668: 55 Gallons Per Day per person: Pape explained that these bills are geared toward public water agencies to restrict water delivered to residences. The fines will be imposed on the water districts if they are not able to get customers to conserve; beginning in 2020. Pape noted that there is no mention of irrigation, just water used inside of the home. Graziano noted that legal reviewed and informed that RPMWC is not subject to these bills.
 - e. Annual Allocation Option: Mathews asked if RPMWC has the capacity to consider this as an option for agricultural customers; Pape informed that management early in the year will be needed to ensure the entire allocation is not used up before the hotter months causing agricultural customers to pay Tier III pricing for the remainder of the year. Bandy asked that an allocation formula be developed for both agriculture and domestic shareholders. Bandy also suggested that an annual basin draw strategy using SCADA data be considered in the future. Smith suggested that maybe a seasonal allocation be considered. Graziano believes that pumping 600 gpm for McMillan Farm Management on an annual allocation will not cause any problems, so long as Well 37 is dedicated to Pauma Valley Country Club. Knox asked if a flat rate would make it easier to pump more wells; Do explained that well capacity should not be exceeded to avoid damage to the wells. Mathews resolved that next fiscal year, after capacity is verified, that any agricultural shareholder can elect to use an annual allocation or current structure with the option to adjust as needed; seconded and upon a vote was unanimously approved.

f. McMillan Agreement: Graziano presented the letter to approve the McMillan Farm Management direct connect to Yuima Municipal Water District. Bandy thanked the board for approving the request. Bandy inquired on the wheeling charges and property transfers then recused himself from the discussion. Graziano proposed that wheeling and administrative charges be at no charge because of the benefit to the company; the board was in agreement. For the agreement to transfer in the event of a land sale the board was not in agreement with this. Graziano was to inform McMillan and obtain acceptance signature on the letter agreement.

g. Share Transfer Agreement: Steve Anderson of BB&K joined by telephone. TY Nursery had surrendered their shares to RPMWC and PVCC had proposed an agreement to transfer the associated water allocation from TY to PVCC. Mathews explained, and counsel concurred, that the 116.3 shares are effectively Treasury Shares but TY Nursery, or a subsequent owner of the land, could request resumption of water service by RPMWC as the shares are appurtenant to the land. Bandy believes those shares should have been redistributed to all shareholders. In recognition of the value of a well-structured PVCC to RPMWC, its shareholders and the community, Mathews motioned to assign to PVCC the allocation of water associated with the 116.3 water shares, currently in treasury, for a period of 5 years and subject to renewal effective July 1, 2018; which was seconded and amended by Smith. Upon a vote motion was approved with 4 in favor and 1, Bandy, not in favor. Mathews will draft the letter.

Deleted: Mathews noted that Pauma Valley Investors refusing to honor the agreement for water shares, if the sale goes through, will be detrimental to PVCC

h. Ag Tier III Rate Update: With McMillan moving forward with the interruptible rate meter from Yuima MWD and RPMWC having no wholesale agreement with Yuima MWD after September 2018 it was suggested to update the Rate Structure after the McMillan meter is set. Knox suggested the price structure be reduced; Smith explained that reserve setup and conservation are the reasons the rate structure was put into place. Do suggested that all tiers rates be reviewed.

Steve Anderson left the meeting.

Smith reported that consumption concerns from a resident with identified leaks and 2 acres of land but only 1 water share. Smith suggested that the authority be given to General Manager to make changes to billing data that are in error; back calculate for 6 months; lot size or meter size incorrect only occurrence. Mathews explained that the board does not have the authority to issue shares as they were allocated at the time of formation and are an approximation to area not an absolute relationship. Smith concurred that changing the shares cannot happen, but if a leak is verifiable the water use can be without a Penalty Assessment.

i. SCADA: Pape reported that the daily allocation is being delivered to PVCC; use was very close this month to going over allocation.

5. Financial Report

a. B/S, P&L as of May 31, 2018: Watkins reported that the total Cash Assets are \$1,212,694, Accounts Receivable of \$215,918 and Accounts Payable of \$157,982. Watkins noted that Meter Repairs is high in preparation for a 2" meter installation for a property under construction on Luiseno Circle. Watkins noted that of the \$5547 spent on legal, \$4300 was specific to water law. Watkins noted that both Tacomas have been purchased and currently getting outfitted for use.

b. Accounts Receivable: Watkins presented the accounts receivable report as of 05/31/2018. Watkins noted that everyone in the 61-90 day column received a shutoff notice.

c. Capital Expenditures: Presented for review.

6. **SGMA Updates:** Mathews reported that the funding for the data collection is \$800,000 of which half will be paid by the tribes; it is unclear how the remainder will be paid now as the County refuses to contribute. Smith is part of the working group [developing the request for quote for the consultant](#). Mathews noted that the tribes are apparently determined that their federal reserve water rights be recognized and protected.
7. **Adjournment:**
 - a. Next Regular meeting date TBD: The next meeting date was set for July 18, 2018 at 1:00 p.m. With no further business to discuss and upon motion made, seconded and unanimously carried the meeting adjourned at 4:11 p.m.

Amber Watkins

Amber Watkins, Recording Secretary