

RANCHO PAUMA MUTUAL WATER COMPANY ("RPMWC")
MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
HELD April 17, 2023

Directors Present: Chuck Bandy, Bruce Knox, Laurie Kariya and Scott Shinner

Directors Absent: Linda Shoaff

Also Present: Pauma Band of Mission Indians Water Department Manager Ruben Bentancourt, Shareholder Steve Wehr, Jeff Pape of Dudek, General Manager Eric Steinlicht, Office Manager Amber Watkins, and Water Quality Data Tech and Compliance Administrator Kim Alvarado

1. **Call to Order:** Meeting was called to order at 2:03 p.m. by President Bandy. This meeting was held in person and via Zoom.
2. **Shareholder Comments:** None.
3. **Approval of Previous Minutes**
 - a. Minutes of Mar 15, 2023- Annual Meeting: Upon a motion by Kariya, seconded by Knox, the minutes of the Annual Meeting held on March 15, 2023, were approved as presented by unanimous vote.
 - b. Minutes of Mar 15, 2023- Regular Meeting: Upon a motion by Knox, seconded by Shinner, the minutes of the Regular Meeting held on March 15, 2023, were approved as presented by unanimous vote.
 - c. Minutes of Mar 30, 2023- Special Meeting: Upon a motion by Knox, seconded by Shinner, the minutes of the Special meeting held on March 30, 2023, were approved as presented by unanimous vote.
4. **Election of New Officers:** Bandy informed that Shinner submitted his letter of resignation, stepping down as Vice President. Knox nominated Kariya as Vice President, motion was seconded and unanimously approved. Kariya nominated Shoaff for the role as Secretary, motion was seconded and unanimously approved. The slate of the Board of Directors will state; Chuck Bandy as President, Laurie Kariya as Vice-President, Bruce Knox as Treasurer, Linda Shoaff as Secretary and Scott Shinner as Director.
5. **General Manager's Report:** Knox noted that Steinlicht has a conflict of interest and should only be representing Pauma Valley Community Services District ("PVCSD"). Bandy noted that Steinlicht has been given direction by the PVCSD Board and would like to point out that any decisions being made on RPMWC's behalf should receive RPMWC Board approval. Steinlicht proceeded to present the General Manager's Report.
 - a. Operations Report: Steinlicht highlighted sections of the General Manager's Report; noted the majority of his time has been spent reviewing past practices, present and future challenges and potential opportunities. Steinlicht noted that there have been periodic technical glitching issues with the Supervisory Control and Data Acquisition ("SCADA") control system. Kariya inquired as to why these issues are occurring. Steinlicht indicated that the rain might be a contributor, noted wiring has been exposed to the elements. Steinlicht also noted that he has contacted Tom Tran to investigate the issue. Steinlicht proceeded with his General Manager's Report, reviewing the accomplishments section. Kariya asked for the General Manager's Report to reflect only new developments moving forward. Steinlicht noted Kariya's request and continued to review the challenges section of the report, noted the organizational change desired by RPMWC, employee retention and recruitment, technology upgrades, infrastructure improvements including the development of a Capital Improvement Plan. Knox noted that RPMWC has an established Capital Improvement Plan. Steinlicht moved on to discuss the current status of the two larger parcels located near the Pauma Heights Gate. Steinlicht noted he has met with both property owners to discuss the required backflow device installation. Bandy noted he would like

the backflow installation completed as soon as possible. Bandy proposed to the Board the idea of splitting the cost associated with the purchase and installation of the 4" backflow device, essentially a 1/3 split cost between the two property owners and RPMWC. Knox motioned to accept the 4" backflow device purchase and installation with the 1/3 split cost with the two property owners and RPMWC, Kariya seconded the motion. Steinlicht continued the commendations section of the General Manager's Report, commending the efforts of the Utility Division for working hard and maintaining the critical services to the community. Steinlicht also commended the efforts of the Administrative Division for cross training in all duties and tasks to better serve District needs and commended Administrative Assistant Fehling for taking on additional roles, responsibilities and taking the initiative on several items. Kariya inquired on the cross training, asked Steinlicht if the cross training was for both PVCSD and RPMWC. Steinlicht noted the cross training was for only PVCSD needs. Steinlicht proceeded to review the General Manager Prioritization Schedule. Kariya requested that Steinlicht add a time frame of completion to the prioritization schedule portion of the General Manager's Report. The Board proceeded to ask the following questions pertaining to the 101 items noted in the prioritization schedule. Kariya questioned item #20, what type of separation of expense was Steinlicht referring to. Steinlicht noted the recent excel spreadsheet he has developed to outline the expense breakdown between the PVCSD and RPMWC monthly expenses. Knox referenced item #15, asking Steinlicht to place the creation of the 23/24 fiscal budget on hold. Kariya asked Steinlicht to update the Board regarding item #24. Steinlicht stated he has met with one of the property owners to discuss the meter fees and the backflow device installation, unfortunately receiving an unfavorable response from one of the property owners regarding the fees being imposed. Pape suggested the placement of (2) 1" meters on each property along with a 4" check valve allowing the complete capture of water as it pertains to each property owner's usage. Bandy asked Steinlicht to present this idea to both property owners and report back to the board. Knox questioned if item #62 was referring to only PVCSD matters. Steinlicht noted he has met with several vendors that would service needs for both PVCSD and RPMWC. Knox questioned if item #66 was referring to only a PVCSD matter. Steinlicht replied yes to the question. Kariya questioned why item #80, obtainment of a Water Distribution 1 certification and Water Treatment 1 certification by the General Manager was withdrawn. Steinlicht noted that he has withdrawn the certification obtainment process as he does not feel it is needed at this time. Knox asked if Steinlicht needed any help with item #73, essentially helping a fellow shareholder with a logistics request. Steinlicht replied he would appreciate the help and will email Knox with the outline of request from the property owner.

- b. Account Totals: Steinlicht presented the March Account Totals. Steinlicht noted the infrastructure service charge for the 1.5" meter was noted at 42.9 % of the sales totals, the 6" infrastructure service charge received a total of \$4,815.80 in sales. Bandy noted that there was some usage under the Tier 1 rate, allowing for some water sales.
 - c. Water Report: Steinlicht noted the March slippage report reflects 1,000 units less than the February totals. Steinlicht also noted the recent service line repair may have contributed to the total. Bandy noted that the totals continue to be higher than average and asked Steinlicht to work with utility to further investigate the possible slippage issues within the system.
6. **Hiring of Grade II Operator / Utility Worker:** Bandy asked Steinlicht to bring the Board up to speed with the current status of resumes received for the Utility II Worker position currently posted. Steinlicht noted that he has three interviews scheduled for this Wednesday, April 19, the interviewees scheduled do not possess a Water Distribution 2 certification nor a Water Treatment 2 certification as requested by the Board. Bandy noted that as of the last AD-HOC Committee meeting, the PVCSD will not be participating in the hiring of the Utility Worker II position, leaving RPMWC to absorb the entire cost. Steinlicht informed the Board that if RPMWC

proceeds with the hiring of a Utility Worker II, PVCSD would like a formalized letter from RPMWC outlining the assumption of all costs associated.

7. **Copper and Lead Testing Update:** Bandy asked Steinlicht to give the board an overview of the current Lead and Copper testing status. Steinlicht asked Pape to take the lead in this discussion. Pape noted to the Board that as it stands the Lead and Copper testing performed per the action exceedance level letter received from the State Water Resources Control Board, Division of Drinking Water (“SWRCB DDW”) depicts a non-detection (“ND”) for the lead and copper levels within the drinking water well sites and distribution sites and the 20 designated homes have revealed that a small subset within the district have received a test result for copper at the maximum contaminant level (“MCL”) or slightly above the MCL. Pape noted that within the copper action exceedance letter, RPMWC has been tasked with the completion of a Corrosion Control Study. Pape noted that RPMWC has received 2 corrosion control study proposals, the first proposal was completely out of the ballpark on price with a cost upwards of \$100,000 and a second proposal with a cost of \$45,000. Pape is not in agreement with the completion of the Corrosion Control Study as the test results do not state there is a copper or lead issue within the distribution system, the results depict a slight issue within a small subset of homes for copper. Pape suggested that Steinlicht discuss this matter with the representative from the SWRCB DDW. Steinlicht questioned Pape if RPMWC has the authority to request testing within the shareholders homes. Pape replied that the SWRCB DDW has implemented this testing to all Municipalities and small Mutuals. Bandy suggested to Pape, the creation of a plan to follow allowing RPMWC to continue the course of current testing without the need for completion of the Corrosion Control Study. Knox suggested appointing Pape and Alvarado to complete this task. Wehr asked if there could be possible ongoing costs associated with the completion of the Corrosion Control Study. Pape noted that he is not sure how the SWRCB DDW would respond. Shinner asked the question, what would happen if RPMWC chose not to comply with the requirements noted in the copper action exceedance level letter. Pape noted that he does not recommend that action, stated that a violation would occur and finally stated that the goal would be for RPMWC to sit down with the regulatory agency to further discuss. After further discussion, Bandy asked to consider this topic as an update at a future meeting.
8. **Country Club Lost Revenue Invoice:** Bandy began the discussion stating he would like to see this issue resolved by the close of this discussion. Kariya stated that she had met with Steinlicht a few weeks prior to discuss the associated costs outlined on the invoice. Kariya asked Steinlicht to reach out to the Pauma Valley Country Club (“PVCC”) to understand how they determined the restaurant associated cost. Steinlicht noted he had reached out to the PVCC but has not heard back and also noted the PVCC staff have been very busy. Shinner spoke on behalf of the PVCC, stating that the restaurant charge was configured using the prior year’s revenue for that specific time. Kariya motioned to approve the invoice as originally received, motion was seconded by Knox, Shinner recused himself from the vote, the motion carried to send payment to the PVCC.
9. **Financials**
 - a. Final Audit Report for fiscal year ending Oct 31, 2022: Watkins noted that this topic was discussed and approved at the March 15, 2023, Regular Board meeting.
 - b. B/S, P&L, 2 yr Comparison as of February 28, 2023: Knox noted to the board that both Watkins and Knox are working to establish the Federal Deposit Insurance Corporation (“FDIC”) conformity within the checking account total. Knox also noted that Watkins is working on establishing two additional certificate of deposit (“CD”) accounts. Watkins noted that prior to the Board meeting, she had spoken with a Comerica Bank representative to review the different types of high interest yield accounts available that would meet the parameters of the RPMWC Investment Policy. Watkins noted that Comerica Bank has an established Wealth Management Team that handles a variety of Sweep accounts, giving the allowance for a higher balance and a higher accrual rate of return. Watkins suggested exploring the Sweep account benefits prior to deciding on the placement of funds into a traditional CD.

The Board questioned if the Sweep account would be covered under either the FDIC insurance or a similar noted coverage. Watkins will confirm the Sweep account insurance coverage and report back to the Board. Watkins presented the financial report for review noted the total cash at \$1,691,826 and an accounts receivable balance of \$61,402. Watkins also noted the cost associated with the construction in process line item consists of the cost for the pump and motor for Well 14R and the 2 planned valve replacements. Watkins noted the accounts payable at \$56,600 and noted that the Prepaid Customer Fees balance is currently at \$392,775, due to the pre-payment received from McMillan Farm Management. Watkins noted the Revenue and Expense Report reflected the recent cost associated with the replacement of several failing 1.5” meters, chlorine disinfection, required Title 22 testing and the Lead and Copper testing. Watkins also noted that the Yuima Fixed Charge Pass Through cost decreased beginning in January. Knox referring to the budgeted update/P&L projection, questioned if the prior net profit budgeted amount of \$285,000 would still be considered an accurate figure. After some discussion, Knox made note that the budgeted net profit and loss dollar figure should be considered at \$200,000. Watkins noted that the SGMA JPA line item was configured with an added cushion when detailing the projection. Bandy noted that the tier 2 units used in the potable system during the upcoming Summer along with the larger agriculture water usage will need to be tracked closely as we enter into the later summer months. Knox confirmed the budget as it stands would allow for the cost associated with the hiring of an additional Utility Worker II position. Watkins noted on the 2-year comparison the year over year changes that have occurred to line items such as delinquent charges, the elimination of the Yuima pass through fee, the direct employee cost is no longer in use and the categorized expenses pertaining to the SGMA JPA. Knox noted the expenses are in line and asked Bandy if the SGMA JPA costs would be ongoing. Bandy stated that currently the costs are at a standstill, unfortunately very hard to predict. Upon a motion by Knox, seconded by Shinner and unanimous vote, the financial report for February 2023 was approved as presented.

- c. Budget Update / P&L Projection: This topic was discussed during agenda item 9b.
- d. Certificate of Deposit Update: This topic was discussed during agenda item 9b.

10. **Reservoir Tank Rehabilitation Update:** Steinlicht noted that he has reached out to the original vendor who completed the initial dive report to obtain a proposal for safety concerns noted at both reservoir tanks. Watkins noted that the proposal was just received as of that morning and passed a copy of the proposal to all in attendance to review. Watkins noted the section of the proposal requiring the small reservoir tank be taken out of service and the water drained out of the tank to properly complete the needed safety upgrades. Watkins also noted that the service provider recommended completing needed repairs as well as the safety upgrades to the small tank as a more economical approach since the small tank will be completely drained. Watkins asked the Board to consider the alternative approach, should the small reservoir tank undergo a complete rehab and to allow the safety upgrades to take place at the large reservoir tank. Bandy noted he would like additional time to review the recent proposal. Knox suggested that the Board give overall authority to Bandy to move forward with the needed reservoir tank repairs.

Bandy asked Steinlicht for a brief update on the recent Sustainable Groundwater Management Act (“SGMA”) Joint Powers Agreement (“JPA”) meeting held on March 21, 2023. Steinlicht excused himself from the meeting to grab his notes. Prior to Steinlicht’s return, Pape reviewed the current three-month potable and non-potable groundwater well trend through the assistance of the SCADA system. Pape noted the draw down on the groundwater wells is stated as very little, almost nothing. Bandy noted the recovery within the basin is remarkable. Upon Steinlicht’s return, Steinlicht briefly noted some of the discussions taking place at the March 21 meeting: Proposition 218, rate development presentation, rate structure for pumping, and a required annual audit.

11. Adjournment

- a. Next Regular Meeting Date at 2:00 p.m. – May 15, 2023. With the next meeting date set and no further business to discuss, Kariya motioned to adjourn the meeting, motion was seconded by Shinner and upon a unanimous vote the meeting adjourned at 3:34 p.m.

Kim Alvarado

Kim Alvarado, Recording Secretary