

RANCHO PAUMA MUTUAL WATER COMPANY ("RPMWC")
MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
HELD September 18, 2023

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

Directors Absent: None

Also Present: Shareholders Bill Winn, Bill Jacobs, Charles Mathews, Larry Curtis, Dudek consultant Jeff Pape, Administrative Manager Amber Watkins, and Office and Compliance Manager Kim Alvarado

1. **Call to Order:** Meeting was called to order at 9:07 a.m. by President Bandy. This meeting was held in person and via Zoom.
2. **Shareholder Comments:** Mathews questioned the budgeted cost for the Upper San Luis Rey Groundwater Management Authority Update ("SGMA"). Bandy noted that the SGMA costs are estimated at \$100,000 and that RPMWC's current proposed draft budget has captured the anticipated expenses. Mathews questioned why the SGMA expense was noted in the Capital Improvement Plan as presented in the draft budget as a capital expense. After some discussion, Bandy noted that the budget is still in draft form and the Board will consider Mathews' comment. Mathews asked if the draft expense budget had been approved. Bandy noted that the draft expense budget had not been approved and is still a working document that will be presented at the October Board meeting for final approval.
3. **Approval of Previous Minutes**
 - a. Minutes of August 21, 2023 - Regular Meeting: Upon a motion by Knox, seconded by Kariya, the minutes of the Regular Meeting held on August 21, 2023, were approved as presented by unanimous vote.
4. **Administrative Manager's Report:** Watkins provided a summary of the meter and capacity rates for some of the nearby water municipalities to compare against the current RPMWC rates. Bandy noted that RPMWC has a much lower meter installation and capacity charge and has not increased these fees for over a decade. Bandy suggested that all newly requested meters greater than 2" in size will need to be approved by the Board before placement to confirm available capacity. Kariya noted the acreage of land for the requested meter should help determine the appropriate meter size. Bandy asked staff to prepare a policy update outlining the proposed changes, as discussed, at the next meeting. Watkins proceeded to discuss the status of recipients for the Call for Candidacy, noted receiving one submission thus far. Watkins also noted that the deadline to submit the Call for Candidacy form is October 31, 2023. Watkins gave an update on the Lead and Copper testing that is currently underway with 10 tests completed (out of the 20 homes). The remaining 10 homes will be completed by next week. Watkins discussed the fleet maintenance repairs and maintenance recently completed on 2 out of the 4 trucks. Watkins made note that moving forward all vehicle maintenance and recommended services will be overseen by both Watkins and Alvarado. Watkins also noted that RPMWC recently received an honorable mention award from the State Water Resources Control Board for the monthly drought reporting.
 - a. Operations Report: Watkins reported that Utility recently identified a leak on Sukat Court and was able to complete the repair within a few hours. Watkins noted that the 4" meter that serves McMillan Farm Management will be replaced this week. Knox questioned the status of the Utility staff coordination. Watkins and Pape confirmed that the Utility staff are working well together with Oehlert coordinating both entities. Watkins also noted that the booster pump that serves four properties on or near Indian Bend has failed and a new booster pump will be installed this week. Watkins lastly reported that the previously discussed new isolation valve will be installed at the Pauma Valley Country Club on September 27th.

- b. **Account Totals:** Watkins presented the Board with the August Account Totals, with a total revenue of \$197,828. Watkins noted that over 100,000 units were sold in August, with 65% of the units sold to the Agriculture Shareholders and 35% of the remaining units sold to the Residential Shareholders.
- c. **Water Report:** Watkins reported that the August slippage totals depict a slightly higher unit of loss while the overall loss for the year is still tracking below five percent. Bandy noted that the projected units sold will fall slightly under the projected 750 units sold.

5. **Financials**

- a. **B/S, R&E, 2-year Comparison as of July 31, 2023:** Watkins presented the financial report for review, noting that an agreement had not yet been reached with PVCSD for the June or July amounts due from RPMWC as of yet. Knox questioned the working relationship with PVCSD in receiving the billing totals. Watkins noted that the process has been extremely slow. Watkins noted the accounts receivable at \$154,295 and the accounts payable at \$151,788. Kariya questioned the negative balance depicted in line item 103.6, Allowance Account. Watkins noted that this line item is in the event that receivables go unpaid or need to be written off as uncollectable. Watkins further noted that this line item is rarely used since RPMWC policy allows for the shut off of water due to non-payment. Watkins referred to the Revenue and Expense Report to highlight the interest earned on the Certificate of Deposit accounts. Bandy noted that this fiscal year has been very challenging with the vast amount of rain received contributing to the significant drop in water sales bringing attention to the need for rate stabilization. Upon a motion by Kariya, seconded by Knox and unanimous vote, the July financials were approved as presented.

6. **Draft Budget for fiscal year 2023-2024**

- a. **Capital Improvement Plan:** Mathews provided his comments regarding the draft budget as presented. Bandy thanked Mathews for his comments and finalized the conversation by stating that the budget is still considered a draft form and will be further discussed in the October Board meeting.

7. **Transfer of Underutilized Water Allocation**

- a. **The Board will consider approval of requested transfer:** Bandy noted that Larry Taylor recently provided RPMWC with a letter from Pauma Valley Investors outlining the transfer of water shares to the PVCC. Kariya noted that the letter should be revised, correcting the noted “Rancho Pauma Mutual Water District” to the Rancho Pauma Mutual Water Company and to replace the noted term “water rights” to water use shares only. Mathews stated that as per the By Laws the letter of request must state a specific time period and the number of water shares to be transferred. Bandy asked to table the discussion and noted the Board will revisit the agreement at the next meeting.

- 8. **RPMWC and PVCSD Update:** Bandy provided a brief summary of recent events/meetings, noted there have been several meetings with members of the community and the Pauma Valley Community Services District (“PVCSD”) Board without resolution. Bandy informed that on August 8th, RPMWC staff were served with a 30-day Notice to Quit from PVCSD and on September 1st RPMWC (also from PVCSD) received a 3-day Notice to Remove all Business and Personal Property. Bandy noted that on September 1st, RPMWC’s legal counsel filed an injunction to stop the Notice to Quit. Bandy received word from the PVCSD legal counsel that PVCSD will stand down from their 30-Day Notice to Quit and consider mediation. Winn stated that when he was PVCSD President he did not know that RPMWC owned half of the building and had he known he would have handled things differently. Knox pointed out to all in attendance that the audited financial statements clearly state the joint ownership of the office building. Bandy asked to further discuss the mediation topic in the Closed Session portion of the meeting, Agenda item 10a.

9. **Upper San Luis Rey Groundwater Management Authority Update (SGMA Update):** Bandy reported that the Upper San Luis Rey Groundwater Management Authority (“USLRGMA”) met in August to approve a budget of \$500,000 to cover the costs associated with the mandated annual basin updates. Bandy also noted that a meter installation program discussion is currently underway, aimed towards capturing the true basin usage. Bandy recently received information regarding a possible issue with a grant fund that has been submitted on behalf of the USLRGMA, this topic will be further discussed in the Closed Session, Agenda item 10b. Mathews asked for an update on the lawsuit. Bandy stated that there has been no update since June.
10. **Closed Session**
 - a. Pursuant to California Corporations Code Section 14305(b)(2) – Potential Litigation, 1 case.
 - b. Pursuant to California Corporations Code Section 14305(b)(2) – Contract Formation Issues. The Board entered into Closed session at 10:40 a.m.
11. **Open Session**
 - a. Reportable action: Reconvened to Open Session at 4:52 pm. The Board voted to approve mediation with PVCSD to pursue a preliminary settlement proposal.
 - b. Reportable action: The Board spoke with Legal Counsel and will receive a further update at the next USLRGMA meeting to be held on Tuesday, September 19th.
12. **Adjournment**
 - a. Next Regular Meeting Date at 2:00 p.m. – October 30, 2023. With the next meeting date set and no further business to discuss, Shinner motioned to adjourn the meeting, motion was seconded by Kariya and upon a unanimous vote the meeting adjourned at 11:37 a.m.

Kim Alvarado

Kim Alvarado, Recording Secretary