

RANCHO PAUMA MUTUAL WATER COMPANY ("RPMWC")  
MINUTES OF THE  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
HELD June 19, 2023

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

Directors Absent: None

Also Present: Shareholders Steve Wehr, Gabriella Knox, Charles Mathews, Bill Jacobs, Ron Krohn and Larry Curtis, Utility Department Supervisor Jake Oehlert, Administrative Manager Amber Watkins, and Office and Compliance Manager Kim Alvarado

1. **Call to Order:** Meeting was called to order at 2:00 p.m. by President Bandy. This meeting was held in person and via Zoom.
2. **Shareholder Comments:** None.
3. **Introduction of New RPMWC Employees:** Bandy introduced the newly hired RPMWC Administrative Manager Amber Watkins and Office and Compliance Manager Kim Alvarado. Bandy added that both of these positions are full-time. Bandy noted that Jeff Pape with Dudek and Associates will be on board by weeks end to assist with field operations, regulatory items, and capital improvement plans as needed. Bandy also noted the possibility of bringing on board the two Pauma Valley Community Services District ("PVCSD") utility employees, Enrique Garcia and Jesus Verduzco. Bandy is waiting to receive word from PVCSD to confirm the transition. Knox noted that RPMWC is still reimbursing PVCSD for the three utility employees at a reimbursement rate of 65%.
4. **Approval of Previous Minutes**
  - a. Minutes of May 15, 2023 - Regular Meeting: Bandy noted that a correction should be made addressing the comment in the water report regarding the "5-year Capital Improvement Plan that would encompass a Meter Replacement Plan", replacing the statement to "a meter replacement program be considered as a possible addition to the 5-year Capital Improvement Plan." Upon a motion by Kariya, seconded by Shinner, the minutes of the Regular Meeting held on May 15, 2023, were approved with the noted correction.
  - b. Minutes of May 30, 2023 - Special Meeting: Upon a motion by Knox, seconded by Shinner, the minutes of the Special Meeting held on May 30, 2023, were approved as presented by unanimous vote.
5. **Administrative Manager's Report:**
  - a. Operations Report: Watkins noted the recently completed tasks to begin the process to operate independently from PVCSD. Knox questioned the current office phone access to RPMWC staff. Watkins noted that PVCSD has been forwarding the office phone lines to their Interim Office Manager's cell phone on days that RPMWC staff are in the office, then providing an email message to RPMWC staff. Watkins noted that two new land lines for RPMWC have been scheduled for installation in the near future. Knox noted that he and Watkins will work with Best Best and Krieger to establish an employee benefits package. Watkins proceeded to discuss the recent challenges she and Alvarado have faced upon returning as RPMWC employees; prior email account access revoked, these emails are for RPMWC's for compliance and regulatory needs. Kariya questioned why the email access was not granted. Watkins is unsure why she and Alvarado were not given time to retrieve RPMWC emails. Watkins also noted that in August of 2022, PVCSD established a new mandatory email domain for all employees to use even if the matters pertained to RPMWC business. Shinner offered to assist by reaching out to PVCSD Board to retrieve the emails still sitting on their domain. Shoaff questioned the phone usage concerns, and made suggestions including the placement of a generic prompt to ask if the customer would like to be transferred to RPMWC or PVCSD allowing for both entities to always receive

calls. Watkins stated that during the month of May and into the early portion of June, Watkins and Alvarado were placed on Administrative Leave by PVCSD and were not allowed to perform any work for either entity including the May invoicing for RPMWC. Upon Watkins' return to work as an RPMWC employee, a complete billing audit was performed. The billing audit revealed multiple billing errors resulting in the need to revise 80 invoices that had to be recalculated and then mailed again to the shareholders. Watkins also noted that due to the vast number of errors discovered on the May billing, all finance charges were waived for the month of May. Watkins informed that nine hours were spent on the billing audit. Bandy would like to make sure that all shareholders are well informed with a letter describing the recent hiring of Watkins and Alvarado, provide updated contact information for RPMWC and to provide a reassurance that billing will be accurate moving forward. Knox asked that the letter explain that Watkins and Alvarado were placed on Administrative Leave, which left RPMWC unable to properly conduct business. Oehlert noted there was an exhaust fan shortage at Well 14R and that Tom Tran has been contacted to complete the repair. Oehlert also mentioned the recent outside contractor hired to take care of the weed abatement needs for RPMWC. Kariya questioned if this was an annual contract. Oehlert confirmed the maintenance coverage was for a year consisting of the use of a 3-stage pre-emergent. Knox questioned the cost associated with the service agreement; Watkins confirmed the annual cost of \$3,700. Oehlert noted that contracting out this portion of site maintenance work will allow the utility department staff to complete other needed tasks throughout the community. Oehlert noted that PVCSD was also quoted for weed abatement, but they declined. Oehlert also noted the completion of debris clean up at the lay down yard located by the reservoir tanks. Bandy moved on to note the approval of the 4-inch backflow device needed at the reservoir tanks to prevent backflow from the 2 larger parcels located above the tanks, and authorized staff to proceed with installation then bill 1/3 of the cost to the two parcel owners as previously discussed. Oehlert and the Board discussed the possible placement of an isolation/shut down valve between the Pauma Valley Country Club Main Building and the Cottages. Mathews questioned if staff and the board have the availability to utilize the Supervisory Control and Data Acquisition ("SCADA") system. Watkins confirmed that the utility staff have the capability 24/7 through their usage of their phone and iPad; administrative staff have access while in the office building. Mathews asked Oehlert if the direction given to him by PVCSD staff is in any way considered interference. Oehlert stated that he has not encountered any issues. Mathews asked Oehlert if he had noticed a lack of cooperation from the PVCSD leadership. Oehlert stated that utility is steadily taking care of the day-to-day issues but is concerned for the future of the two other utility staff. Bandy noted that recently Enrique Garcia obtained his Water Distribution 1 certification allowing Garcia to have the two needed certifications to operate the water system per the permit requirements. Wehr asked if the Board would be interested in adding another utility employee with the Water Distribution Certification-D2 and the Water Treatment Certification – T2. Bandy noted that currently there are two Utility staff that possess the needed certifications and that the Board will reconsider the addition of a third certified operator over the next year.

- b. Account Totals: Watkins presented the board with the May account totals, and noted these were a snapshot of revenue for the month of May after the billing audit was conducted. Watkins noted the billing units sold totaled 73,283 and noted that corrections were made to the fixed charges as it pertains to the two larger parcels above the tanks. Bandy noted that this is the first positive cash flow month for 2023. Oehlert left the meeting at 2:26.
- c. Water Report: Watkins referred to the water report, identifying the potable wells highlighted in blue and the non-potable wells highlighted in yellow. Watkins noted the overall slippage percentage has decreased. Watkins also noted the recent replacement of a 4-inch meter at the Haciendas should have a continued positive impact on the slippage totals. Knox asked for the June water sales projection. Watkins noted the projected amount tier 1 June unit usage is 75,050 units. Knox noted that RPMWC is properly prepared for the long term, well positioned to handle future needs. Shinner inquired on the

current status of the potable well placement versus the non-potable well placement, questioning if a recent change to the potable system was made. Watkins noted that there have not been any changes to the potable system and if a change were to be made within the potable system a permitting process would be involved. Bandy noted that there are specific wells within the system set up on the potable structure to ensure proper blending for nitrates per our permit.

**6. Financials**

- a. B/S, R&E, 2-year Comparison as of April 30, 2023: Watkins presented the Financial Report for review, noting that the payables due to PVCSD for the month of April have not been configured. Watkins noted that the Pacific Western account has been closed due to concerns with the institution and that the funds have been placed into a 3-month certificate of deposit (“CD”) account with Wells Fargo. Wehr questioned the current CD rate with the Wells Fargo account. Watkins stated an annual percentage yield of 4.25%. Knox asked Watkins if the monthly split cost breakdown is being closely monitored. Watkins confirmed that all split costs will be confirmed with proof of purchase receipt and the need for purchase. Watkins noted the need to establish a signing authority. The Board has asked to place this topic on a future meeting agenda. Watkins noted the accounts receivable at \$74,194 and the accounts payable at \$20,830. Watkins also noted that the current projected accounts payable costs due to PVCSD for April are \$30,000 and for May \$38,000. Bandy asked if the cost breakdown received from PVCSD allows for a specific itemization to fully understand the cost, for instance the legal costs associated with the SGMA. Watkins will review the cost breakdown further. Watkins further noted the line items for revenue and expense have a zero number associated, not allowing for a true capture of current costs associated with April. Wehr asked Watkins who is paying the Jeff Armstrong cost, Watkins informed that is not a RPMWC cost. Upon a motion by Knox, seconded by Shoaff and unanimous vote the April financials were reviewed at this time, not approved until further review at a later date.

**7. RPMWC and PVCSD Update:** Bandy asked to discuss this topic after Agenda item 8.

**8. SGMA Update:** Bandy asked Wehr to present the latest SGMA update. Wehr noted the recent GSP plan approval. Wehr also noted the proactive approach to be taken to meet with the local Tribal members to discuss the GSP plan. Knox questioned if the Pauma Band of Mission Indians Water Department Manager Rueben Bentancourt was contacted and is amendable to the GSP plan. Wehr stated yes. Wehr noted the next SGMA meeting is scheduled for Tuesday, June 20<sup>th</sup>.

**7. RPMWC and PVCSD Update:** Bandy gave a brief update on the relationship status between RPMWC and PVCSD, noted that PVCSD voted at their last Board meeting held on 5/22, to terminate the working agreement between both entities and to allow for a six-month term for separation. Bandy noted that he is feeling optimistic with the recent hiring of Watkins and Alvarado. Bandy proceeded to discuss the current status of the building ownership, noted that PVCSD has stated they own 100% of the building. Bandy stated that RPMWC has paid for 50% of the construction costs and that RPMWC has been depreciating the building for 30 years. Bandy also stated that the building permit was placed under RPMWC’s name instead of PVCSD to allow for an easier permitting process. Bandy noted that RPMWC has been working with legal counsel in the development of a letter to address the building ownership. This letter also included PVCSD and RPMWC Minutes dating back to 1993 and 1994, as well as financials from that time period. The finalized letter and supporting documents were delivered to PVCSD 2 weeks prior to this board meeting. Bandy stated that unfortunately, there is no defining document clearly stating the building ownership. Bandy noted that PVCSD Board members Jodie Lawston and Roland Skumawitz met with their legal counsel on Friday, 6/16 to discuss the letter and supporting documents. Bandy lastly noted that RPMWC’s legal counsel does not believe PVCSD is going to deviate from their original position regarding the building ownership. Wehr noted that this is unfortunate, wasting an extreme amount of time and money for both companies. Mathews brought to the discussion several points of

interest in regard to the building ownership; the first point of interest is the asset of the building as noted on the balance sheet. The second point Mathews noted was the fact that both RPMWC and PVCSD have audited financial statements and those have for many years depicted a 50/50 interest in the building allowing RPMWC to have the right to obtain that interest as entitled. Mathews noted that former General Manager Ogden Watson and former Administrator Mindy Houser were both present for the building construction, suggesting that RPMWC obtain information from both parties. Mathews also questioned the ownership of the utility shop building located adjacent to the treatment plant. Bandy noted that the cinder block utility building located closest to the treatment plant is owned by PVCSD. Mathews noted that the metal utility building was constructed with both PVCSD and RPMWC jointly contributing 50%. Watkins noted that the building is mostly used to store RPMWC assets backhoe, valve cycling machine, etc. Mathews made note that the community is suffering from this restructuring. Mathews touched on the fact that he had asked the RPMWC Board to create a letter to be distributed to all shareholders explaining the current status of the restructure and the steps moving forward. Bandy noted at the time Mathews had requested the shareholder letter, he was unable to complete due to too many unknown items. Mathews noted that the letter should include the fact that PVCSD is the entity creating the issue which are not conducive for the community. Bandy noted he will begin the process of creating a community letter. Jacobs asked the RPMWC Board if they would be open to a one-on-one communication with the PVCSD President Lawston to resolve the current issues in a timelier manner, suggesting a weekly meeting. Bandy noted that the Board is open to the idea. Jacobs asked the Board if the main topics of concern should be considered the Office Building and the placement of the two Utility Staff employees. Knox noted that there are many items that need to be addressed, one main concern is the active investigation of a PVCSD employee. Krohn noted that the status of the land under the office Building was owned by PVCC, leased to PVCSD, the lease had expired allowing the ownership of the land to return back to the PVCC. Wehr stated that the land lease had expired and that the PVCC moved forward with the sale of the land to the PVCSD for \$50,000. Wehr also noted that the vesting of the parcel of land was placed in the PVCSD's name for property tax reasons, allowing PVCSD to remove property taxes associated with the parcel.

**9. Closed Session**

- a. Pursuant to California Corporations Code Section 14305(b)(2) – Potential Litigation. The Board entered into Closed session at 2:57 pm.

**10. Open Session:**

- a. Reportable actions: Reconvened to Open Session at 3:45 pm. The Board has agreed to start an outreach process to all shareholders by way of a community letter recapping the events of the past several months. No legal action will be taken against PVCSD at this time.

**11. Adjournment**

- a. Next Regular Meeting Date at 2:00 p.m. – July 17, 2023. With the next meeting date set and no further business to discuss, Kariya motioned to adjourn the meeting, motion was seconded by Knox and upon a unanimous vote the meeting adjourned at 3:47 p.m.

*Kim Alvarado*

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Kim Alvarado, Recording Secretary