

RANCHO PAUMA MUTUAL WATER COMPANY
ANNUAL MEETING OF ~~THE BOARD OF DIRECTORS~~ SHAREHOLDERS

February 13, 2017

Directors Present: Charles Mathews, Brad Smith, Chuck Bandy, Laura Kariya and Chris Reeber

Shareholders Represented: 173 by proxy or in person

Also Present: Jeff Pape of Dudek, Administrator Mindy Houser and Office Manager Amber Watkins

1. Called to Order: Meeting, held in the Pauma Room at the Pauma Valley Country Club, was called to order at 1:00 p.m. by President Mathews. Shareholders were welcomed and thanked for their attendance.

2. Call for Proxies: Mathews asked that any shareholder needing to withdraw, submit, or submit a replacement proxy do so to allow Inspector of Elections Mindy Houser to validate a quorum.

3. Certification of Quorum for Election: Houser stated proxies, representing 941.94 out of 1104.0 shares, have been signed and returned, representing an 85% return and constituting a quorum to proceed.

4. Inspector of Election: Houser reported that Laurie Kariya and Son Do, two of the five nominees, had received the highest vote of shares and they are thereby elected to assume the two available seats at the Organizational meeting immediately following this meeting.

5. President's Year in Review: With a PowerPoint presentation visual on the large screen, Mathews explained that shareholders' conservation efforts have successfully reduced usage from 1,200,000 billing units (BU) to 600,000 BU pumped last year. This total BU does not include the 190,000 BU that were imported from Yuima MWD Hydrologic studies that we had done supported a sustainable yield around 600,000 BU for this basin under present circumstances. Mathews noted that domestic shareholders' conservation efforts seem to be waning as many fell into Tier 3. This equates to Tier 3 users essentially taking water from other shareholders that remain in Tiers 1. Yuima has verbally expressed concerns over being able to provide our full requests during peak demand periods this coming summer. Ongoing capital improvements include two new wells currently being drilled with one designated as potable and one as non-potable. Mathews explained that there is uncertainty with the Sustainable Groundwater Management Act that is still being negotiated but encouraged all to attend the public meetings on the subject.

6. Financial Review: The 2015-2016 financial audit report is complete and available for review on the paumavalleycsd.com website. Mathews presented a chart with data extracted from the audited results which indicate revenue of \$2,068,000 and capital expenditure of \$144,000 for 2015-2016.

7. Outlook for 2017-Water Conservation a 'MUST': Mathews noted that, despite the recent rains, the drought is not over for Pauma Valley. Mathews reminded that Yuima has indicated deliveries at peak times may be difficult due to the capacity restrictions of their delivery lines. With aging infrastructure, Mathews outlined maintenance plans that have been put into place to prolong the life of the existing assets. Mathews also reminded shareholders that RPMWC water rates remain inexpensive by comparison to other water providers in the area. Vice-President Smith noted that currently he has recorded 14.5" of rainfall this year so far vs. last year's total rainfall of 13.5". Smith picked up the presentation, discussing the unknown timeframe for us to realize the rain/snow impact from Palomar Mountain. As to the cause of "milky" water from the tap, Smith stated this is an indicator of air in the system as the water levels are so low the pumps are sucking in air. Smith reminded all that there is no reason anyone should be irrigating their property at this time and encouraged all shareholders to talk to their gardener and refrain from doing so. Smith made several recommendations on conservation steps that can be taken by homeowners and

ended by stating this presentation is available on the paumavalleycsd.com website and recommended homeowners visit bewaterwise.com for a complete list of conservation strategies.

8. Shareholder Comments/ Questions: Hans Glaser asked for clarification that Ag and Domestic customers are conserving equally. Mathews noted that Ag shareholders have made tremendous cut backs on usage as evidenced by PVCC maintaining the golf course without benefit of Tier 3 water. Thomas Cerruti, with the 130 shares he represents, addressed the shareholders on the by-law amendment that changed the terms of directors from one year to four-year staggered terms. He expressed his concern that a 4-year term made for “bad governance” and would like it reduced. Cerruti also requested that anytime a by-law change takes place, a notice be sent to shareholders as well.

9. Adjournment: With no further business to conduct, a motion to adjourn this meeting was made, seconded and unanimously approved; meeting adjourned at 2:24 p.m.

Amber Watkins

Amber Watkins, Recording Secretary

Mindy Houser

Mindy Houser, Administrator/Secretary