

RANCHO PAUMA MUTUAL WATER COMPANY
REGULAR MEETING OF THE BOARD OF DIRECTORS
October 24, 2016

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

Also Present: Shareholders Jim Cipriano and Todd Nicol, Bobby Graziano of Rancho Estates Mutual Water Company, Jeremy Jungreis of Rutan and Tucker, Jeff Pape of Dudek, Administrator Mindy Houser and Office Manager Amber Watkins

1. **Call to Order:** Meeting was called to order at 2:00 p.m. by President Mathews.
2. **Shareholder Comments:** None
3. **Approval of Previous Minutes:**
 - A. Upon a motion by Smith, seconded by Reeber and with an unanimous vote, the minutes of the Regular meeting held on September 19, 2016 were approved as written.
4. **Administrative Report:**
 - A. September water sales: Houser reported that of the 90,224 units billed in September, a total of 21,844 units were purchased from Yuima MWD most of which was at customers' request. Houser noted that 315 Allocation Penalty units (among 10 customers) were billed.
 6. C. Water purchases from YMWD: Mathews asked that this item be adjusted to discuss at this time. Pape projects the total water to be used from the basin to be roughly 668,000 units, which is just below the maximum limit of 700,000 set by the board. Mathews inquired on the effects to the basin. Pape explained that Well 14 is down by one foot from a month ago. ~~Pape believes that McMillan has turned on Well 12 (Pomegranate Well) which he believes is the cause of this decreasing water level. Pape stated his belief that there is a correlation between McMillan's wells and our eastern well field as water levels drop slightly when all wells are running.~~ Smith asked that a tabular chart showing well depth for static and pumping levels be included in the packet for each meeting.
 4. B. YTD graphs: Houser presented spreadsheets for this item showing well production, loss of local supply, and allocation versus water use.
 - C. Various Fees and Charges: Houser presented an amended Section 3.0 - Accounting of the Policies and Procedures Manual as requested at the last meeting. Houser updated all the miscellaneous fees proportionally based on a cost analysis she performed. Kariya moved to adopt the amended Section 3.0 Policy, which motion was seconded by Smith and unanimously approved.
 - D. Policy Section 8.0- Creation of Domestic / AG rates – Houser explained that this policy will affect seven homeowners; two of which have double meters and two have just agriculture meters. Nicol asked if his property will be included in this now that he is not actively farming. Smith responded that historical usage for commercial crop will be considered and should be noted in the policy. After discussion, motion was made by Smith, seconded by Kariya and unanimously approved to adopt this policy as discussed.
 - E. Request by REMWC for bookkeeping services – Bobby Graziano had asked Houser for assistance with accounts payable and preparing financial reports for Rancho Estates Mutual Water Company. Motion was made to authorize staff to assist with these services, seconded and unanimously approved.
5. **Financial Report**
 - A. BS, P&L as of 9/30/16: Houser presented the financial report which reflects Cash Assets totaling \$691,688 and Accounts Payable of \$166,083. Houser noted that Accounts Payable includes the remaining balance from the Dudek Geophysical Survey. Smith noted that cash has increase by roughly \$370,000 since this time last year which Mathews

commented was ahead of significant capital expenditures in the immediate future. Smith motioned to adopt the financials as presented, which motion was seconded by Reeber and unanimously adopted.

B. Account receivables: Houser had no issues to report.

6. Operations & Maintenance Report

A. SCADA review: Pape presented Well 38 noting that one year ago the water level sat at 138 feet and today has dropped to 142 feet.

B. Well site easements: Pape reported that a conference call is scheduled for Tuesday with Pauma Valley Investor's attorney and Szytel to discuss the draft easement agreement. Pape reported that the Well 31 easement will be tied into existing easements. Fain has been scheduled to drill the replacement Ag. well with an anticipated start date at the end of November. Kariya inquired on the Grant's issue with the Well 36 easements; Houser noted that trees will be trimmed early November and all other issues have been resolved.

C. Water purchases from YMWD: Pape reported that 181,000 units for the year have been imported. Mathews asked what policy Pape recommends for next year for import water. Smith feels import water should stay close to the allocation. After much discussion, Mathews advised that staff should always use the previous month's actual domestic import data for requesting the import water for other than the top three AG users.

7. Other Business:

A. SGMA updates: Mathews reported that Dr. Marina Piscalish has been appointed the facilitator for the Working Group. Next meeting is scheduled for October 26, 2016. Mathews will continue to push for any mutual that elects to participate in the JPA to have a voice in the voting and plan development process. The management plan will need to be created in the next 3-5 years so there is still much work to be done.

8. Closed Session:

A. Conference with Legal Counsel - Entered closed session at 3:09 p.m.

9. OPEN Session:

A. Report Action from Closed Session – Reconvened at 4:01 p.m. Staff was given direction regarding the real property proposal received.

B. Pape verified that if granted the easement from Pauma Valley Investors, then well drilling can begin. Houser reported that Pallone informed of a fire hazard on RPMWC's lot on Pauma Heights Road. Javier will remove the dying trees that were planted by original homeowner. Pallone will be notified as well as Anderson Farms.

10. Adjournment:

A. Next Regular meeting date: The next meeting date is set for Monday, December 5th at 2:00 p.m. With no further business to discuss, a motion to adjourn was made by Reeber, seconded by Kariya and unanimously carried at 4:10 p.m.

Amber Watkins

Amber Watkins, Recording Secretary