

RANCHO PAUMA MUTUAL WATER COMPANY ("RPMWC")
MINUTES OF
REGULAR MEETING OF THE BOARD OF DIRECTORS
HELD October 16, 2017

Directors Present: Charles Mathews, Brad Smith, Son Do and Laura Kariya
Directors Absent: Chuck Bandy
Also Present: GM of PVCC Paul Devine; Jeff Pape of Dudek; Probationary General Manager
Candidate Charles McBride; Administrator Mindy Houser and Office Manager Amber
Watkins

1. **Call to Order:** Meeting was called to order at 2:03 p.m. by President Mathews.
2. **Shareholder Comments:** None
3. **Approval of Previous Minutes:**
 - A. Upon a motion by Smith, second by Kariya and unanimous vote, the minutes of the meeting held September 25, 2017 were adopted as presented.
4. **Subsequent Actions:**
 - A. T-Y Water Allocation: McBride reported RPM has been informed by TY staff that the Water Shares Transfer Agreement which would give TY an additional 12.4 shares will not be signed as was previously relayed. TY staff was informed that no changes will be made to water shares without the signed agreement; Mathews asked that staff confirm in writing with TY that their allocation will remain at 116.3 shares moving forward.

Mathews inquired if the requested monthly allocation amendments had been received from the three AG users; Devine explained that PVCC staff is currently working on their request and hopes to complete soon. Mathews asked Devine to assure the distribution of the allocation request be driven by the amount of water able to be pumped from TY pumps, noting that RPMWC is open to the needs of PVCC and limited to pumping capacity during peak times. Houser stated that McMillan utilizes the monthly allocation as RPM presents and TY has not responded with any changes or comments at this time.

B. Drought Policy revisions: Smith analyzed the data and feels that we are still currently in Stage 2II of the Drought Conservation Policy as written. Pape suggested that the policy be rewritten to reflect a board determined safe yield from the basin; the drought stages would reset at the beginning of the year with the board's discretion to adjust as needed. After much discussion, Stage 2II will consist of 5% reduction from Tier I and Stage 3III will consist of 15% reduction from Tier I; Mathews motioned to adopt the policy as amended, seconded by Kariya and unanimously adopted.

5. **Administrative Report:**
 - A. September water sales: McBride presented the totals, noting that 13,289 units of water were purchased from Yuima MWD.
 - B. YTD graphs: Mathews is concerned with the 8% of slippage noted on the well production report and asked staff to review and provide a suggestion to reduce this number. Pape noted that 3-5% slippage is very standard.
 - C. Notice of Termination from Yuima for Wholesale agreement: A letter of termination for the existing Wholesale Agreement first signed in 1984 has been received from Yuima with an effective date 12 months out. Mathews noted that other customers have received the letter as well; Mathews has discussed with legal

and feels it is being done just to update the language. Per Yuima staff, the new agreement should be drafted by the end of March.

D. Yuima Fixed Charge Pass Through: Staff presented the calculations used by Yuima to determine the costs to RPMWC which will be effective January 1, 2018. Smith reviewed the data and received answers to his questions quickly; in Smith's opinion everything looks correct. Mathews proposed that the recently adopted budget be changed to reflect the Yuima pass through cost structure; noting there will be no change to revenue. Smith motioned to approve such adjustments to the previously adopted budget, seconded by Kariya and unanimously approved.

E. Well 7R Replacement: McBride reported that no conflict is present with the viewscape easement; also Szytel Engineering is in the process of drafting the new easement. McBride will present to PVCC once completed. Pape reminded that the chlorine station will stay at its current location and the well site only will be relocated.

F. Slifka/Knox Water share allocation: McBride presented an email request from Knox, the new owner of Lot 10 previously owned by Slifka. Slifka still owns Lot 9 and watered a persimmon grove which spans both Lots 9 & 10 from a meter located on Lot 10. Since Slifka no longer wants to water or maintain the grove on Lot 9, Knox would like to utilize the shares associated to Lot 9 and continue with the grove. Mathews made a motion to approve the request and to have legal counsel prepare the document for signatures provided Knox accepts certain conditions. Since this would be a variance from the existing Water Shares Transfer policy, the document should include Knox's intent to operate the grove as a commercial business and Knox's agreement to not interfere with the development of a new well site located within the existing viewscape easement attached to Lot 10. Motion was seconded by Kariya and unanimously approved.

G. Operations meeting date: Staff has scheduled the next Operations Meeting at 9:30 a.m. on November 6, 2017. Email notification will be sent to all participants.

6. Operations & Maintenance Report

A. SCADA review: Pape reported that as of the end of September we used a total of 510,676 units from the basin and estimates that we are on track to use an additional 83,000 units this billing cycle. Staff has been closely monitoring the import water and adjusting the draw as needed in order to stay within the 600,000 units budgeted. Staff was asked if any concerns are present about the inability to meet the demands of PVCC; Pape informed he is comfortable with the water level across the basin, citing levels at Well 14 and Well 34. Pape explained that use from the basin is being spread out; Mathews noted we are forced to do this as Well 42 cannot be used until the power situation is resolved. Pape noted that static level of Well 14 is at 142' and roughly the same as the previous year.

B. Ongoing well development: Pape reported that a meeting is set for the 19th with SDG&E to discuss the options available to complete electrical power to Well 42 since the property owner (Pauma Valley Investors) will not sign the SDG&E easement required. An option that may be considered is to run conduit from Well 39 in an existing easement and power Well 42 this way.

McBride reported that his meeting with Tom Cerruti, the representative for Pauma Valley Investors, was spent with Cerruti instructing RPMWC on what needs to be done. Cerruti also presented the SDG&E easement document with amendments as to what Pauma Valley Investors would accept in order to sign any easement document. Pape is convinced that SDG&E will not approve the amendments and thinks that alternate routes within existing easements is the most prudent way to proceed.

Mathews noted that McBride prepared and delivered the tank proposal that was discussed at the last meeting, but it is not listed on the agenda or delivered with the packet. McBride was instructed to send this information to the Technical Sub-Committee (Smith, Do, and Pape) for review.

7. Financial Report

A. BS, P&L as of 9/30/17: Watkins presented the financial report which reflects Cash Assets totaling \$573,907; Accounts Receivable of \$276,092; and Accounts Payable of \$117,233. Watkins noted that PVCSD has paid in full. Mathews asked what the insurance limit for the money market account is; staff informed that the FDIC limit of \$250,000 applies. Mathews asked that the financial report be reviewed before presentation to the board as the electrical income is extremely high; staff will review and make any necessary adjustments before the end of the fiscal year. Mathews also questioned the variance between import water purchase costs and import water sales.

B. Account receivables: Watkins reported that two door hangers are to be placed this week for non-payment. One customer has requested to make payments to pay down an outstanding balance; currently they are experiencing physical and financial hardships and intend to shut off all irrigation to keep the balance down. Mathews inquired as to a filed and recorded lien being in place and such was confirmed; Smith expressed his acceptance of allowing Houser to make such discretionary provisions as deemed necessary.

8. Updates on SGMA: Mathews reported that no meeting has been held since the last RPMWC meeting; a meeting is scheduled for this coming Friday and Mathews is waiting to review the agenda. Mathews noted that the State has defined the Pauma Basin as being the most complex basin in all of the state.

9. Adjournment: The next meeting date has been set for November 20, 2017 at 2:00 p.m.; with no further business to discuss, a motion to adjourn was made by Smith, seconded by Kariya and unanimously carried at 4:24 p.m.

Amber Watkins

Amber Watkins, Recording Secretary