

RANCHO PAUMA MUTUAL WATER COMPANY ("RPMWC")
MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
HELD January 29, 2025

Directors Present: Chuck Bandy, Laurie Kariya, Bruce Knox, Linda Shoaff and Scott Shinner
Directors Absent: None

Also Present: Pauma Band of Mission Indians Water Department Manager Ruben Bentancourt, Shareholder Charles Mathews; Paul Kaymark of Nigro & Nigro; 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 2:02 p.m. by President Bandy. This meeting was held in person and via Zoom.

Bandy thanked the entire RPMWC staff for their exemplary service provided during the recent San Diego Gas and Electric Public Safety Power Shutoffs. Knox also thanked the RPMWC staff for their preparation efforts.

2. **Shareholder Comments:** None.

3. **Approval of Previous Minutes**

a. Minutes of November 18, 2024 - Regular Meeting: Upon a motion by Kariya, seconded by Shoaff, the minutes of the Regular Meeting held on November 18, 2024, were approved as presented by unanimous vote.

4. **Draft Audit Report for Fiscal Year 2023-2024:** Kaymark presented the draft 2023-2024 audit report giving a brief overview of the items entailed; water sales, service charges, electrical charges, investment earnings, operating expenses, salaries and benefits and the increased SGMA cost. Knox requested the addition of a separate line item to identify the current fiscal year approved Capital Improvement Projects ("CIP") on the monthly financial reports. Knox further noted the separate line item will create a simplified way of identifying the amount of capital expense funds slated for use during the fiscal year and track in real time once the funds have been spent as it will be offset using the Construction in Process account. Mathews questioned the amount associated with pensions under the previous agreement with the Pauma Valley Community Services District ("PVCSD"). Pape noted that after RPMWC reviewed the request sent from PVCSD for these costs, RPMWC requested that PVCSD provide additional information. Pape informed that PVCSD declined to provide the information. Mathews stated his concern is that RPMWC may be liable for the amount due. Bandy pointed out the timeframe of the dissolution of the Memorandum of Understanding Agreement with the PVCSD. After further discussion, Bandy noted RPMWC will work with Kaymark to finalize the audit as deemed compliant. Upon a motion by Knox, seconded by Shoaff and unanimous vote, the 2023-2024 Draft Audit Report was approved.

5. **Administrative Manager's Report:** Watkins reported that the Risk Management Plan, 5-year update has been submitted to the County Department of Environmental Health ahead of the December deadline for review by the regulator. Watkins noted that the semi-annual Lead and Copper testing of 20 homes will take place in February. Watkins further noted that Alvarado has started the scheduling process with the property owners to confirm their availability on the date selected for the sample collection. Watkins also noted that the State Water Resources Control Board, Division of Drinking Water has confirmed that RPMWC is not required to complete the Corrosion Control Study at this time but must continue to conduct the semiannual Lead and Copper testing at 20 homes for the time being. Watkins reported that a shareholder recently reached out to the RPMWC office to question the payment history on their account. The shareholder provided a copy of the cancelled check, which had an endorsement by another entity and not RPMWC. The shareholder was able to confirm that the check was cashed by PVCSD in September 2024 and issued a replacement payment to RPMWC. Watkins reported that the finance charges were waived on this account since the payment was made in good faith and in a timely manner. Watkins and Alvarado are closely monitoring the accounts receivable and attempting to make contact with shareholders who normally issue timely payments. Watkins reported that in December SDG&E experienced a billing issue and were unable to provide RPMWC electrical invoices for all of the accounts as well as the PVCSD shared electrical building account invoice ahead of the RPMWC December invoices being distributed to shareholders. Watkins informed that this is a true pass-through cost that is calculated monthly to determine the pumping cost for shareholder invoices. Watkins noted that the December pumping costs were estimated based on historical data to determine a fair pumping charge to allow for RPMWC December invoices to be delivered in a timely manner. Watkins lastly noted that as of today all SDG&E December invoices have been received and paid. Watkins stated that she intends to square up the year-to-date totals with the January RPMWC billing and will show the impact later during the financials agenda item. Bandy questioned why the December SDG&E billing was not received. Watkins reported that SDG&E could not give an explanation for their billing delay. Pape brought to the Board's attention a recent issue involving the Supervisory Control and Data Acquisition ("SCADA") system. Pape explained that PVCSD had an issue on their side of the system which led the PVCSD's General Manager Steinlicht to place a call to RPMWC's SCADA support consultant demanding that the issue be resolved immediately. Pape noted the RPMWC SCADA

support consultant arrived within a timely manner and determined that the PVCSD new IT consultant had changed the administrator credentials and was unable to assist and suggested they contact their administrator. Pape further reported that once PVCSD placed a call to their IT consultant the issue was resolved immediately. Pape asked the Board to consider moving forward with the separation of both entities having access to the RPMWC SCADA system to hopefully alleviate further issues. Kariya questioned if PVCSD was already working on obtaining their own SCADA system. After further discussion, Bandy stated that the SCADA system will remain as is while continuing to monitor. Watkins reported that the PVCSD has been filling the wastewater treatment plant with the potable water supplied through the RPMWC Yuima Municipal Water District ("YMWD") meter that services both the office building and the utility shop area. Watkins noted the increase in water usage that has lately been occurring will likely have an impact on the rolling averages for the YMWD fixed charges that are passed through to RPMWC and any changes on those charges is unknown at this time as the rates are set by the San Diego County Water Authority using averages of different intervals of time 5, 7 and ten years. Watkins stated the water utility account is a split cost between both RPMWC and PVCSD with the adjusted expense captured in the shared monthly expenses. Watkins lastly noted that once the rolling averages are caught up the split between RPMWC and PVCSD may need to be re-evaluated. Knox questioned if RPMWC could provide PVCSD with a potable source of water. Pape noted he has reviewed the potable system in place for the office building and the utility shop area, noting currently the only potable source in place is the YMWD service. Bandy questioned the magnitude of usage by PVCSD. Pape noted the usage would be comparable to filling two large pools. Bandy stated the capacity charges were diminishing and any incremental water usage would cause an impact. After further discussion, Bandy suggested a letter be sent to PVCSD to outline the issue. Watkins reported that she has recently received a notice from a local engineer providing RPMWC with a Quitclaim to vacate the Open Space Preserve that was recorded on the shareholder's property in 2016. Watkins noted this is beneficial for RPMWC in the event that a pipeline is ever needed in that portion of the service area. Knox questioned the cost associated with the placement of a pipeline. Pape will look into the cost. Watkins reported that the exterior restroom sanitation has become a growing concern for RPMWC staff. Watkins stated that PVCSD has hired a new cleaning contractor to clean the restroom on a bi-weekly basis. Watkins noted that due to the amount of people utilizing this restroom which is made available to the Pauma Valley Country Club Pilots, Air Park visitors, in addition to the PVCSD staff and others, the frequency was determined to be unacceptable, and the restroom is visibly dirty within just a few days of being cleaned. Watkins has requested that the RPMWC cleaning contractor resume a weekly cleaning schedule for this restroom to help alleviate this concern. Watkins asked the Board if they would like to continue to offer virtual meeting options for RPMWC meetings, noting that RPMWC is not required to do so. Bandy would like to continue the virtual meeting option.

a. Operations Report: Watkins gave an update on the repair work at Well 39 that began in September, noting the repair work was completed at the end of December and a new level transducer was specially ordered due to the length needed at this site. Once installed utility staff were able to monitor the water level for operations via SCADA. Watkins further noted that a series of water quality testing will be performed prior to placing the well back into service. Watkins reported that the annual chlorination equipment maintenance was performed in early November in accordance with RPMWC's Risk Management Plan. Watkins noted that the vendor's inspection confirmed that all chlorination equipment was in good working condition. Watkins also noted that during the contractor's visit RPMWC staff proactively requested part numbers for chlorination equipment that should be on hand for seamless repairs when needed for any of the chlorination sites. Watkins gave an update on the two properties that sit above the reservoir tanks that have a private pump station on the reservoir tanks site. Watkins noted the previously discussed update provided in the November meeting, that one of the property owners has taken the lead with having their private water system pump completely refurbished to increase the efficiency of the private water system. Watkins stated that once the private booster pump was refurbished, the property owner notified RPMWC that they were ready for the backflow prevention device to be reinstalled at the private pumping station. Watkins reported that utility staff installed the device then the device was certified. Watkins noted that after the certification was complete an invoice was generated for 1/3 of the original installation cost to each of the property owners as decided by the Board last year. Watkins stated that currently one of the property owners has paid their portion of the cost and the other property owner is disputing the charges for the backflow device installation. Watkins lastly noted that a response to the inquiry and demand for payment of the invoice within 30 days was sent at the end of last week via certified mail. Watkins moved on to discuss the recent wind events that have taken place throughout the past three months, noting that RPMWC staff are proactively adjusting operations each time a Public Safety Power Shutoff ("PSPS") is received from SDG&E. Watkins stated that a portion of the protocol followed is to ensure that staff continually keep the reservoir tanks full, working with the large water users to determine a schedule for their shutdown to coordinate the safe shutdown of RPMWC equipment, staff meetings are held and information is constantly communicated to all staff so that each staff member clearly understands their responsibilities throughout the event, staff are monitoring fuel levels and keeping extra fuel on hand in the portable tank to refuel the backup generators as needed, monitoring the system via SCADA to ensure all shareholders have potable water. Watkins stated that during the power outage event on 12/9/2024 that lasted until 12/11/2024 the office building propane tank ran empty around

2:00 a.m. on 12/10/2024. Watkins stated that on 12/9/2024 RPMWC staff proactively prompted multiple PVCSD staff members throughout the day to request the propane tank be filled as soon as possible due to the critically low level in the propane tank. Watkins noted that PVCSD controls the propane delivery account for the propane tank and was able to get a propane delivery early on 12/10/2024 around 6:00 a.m. but during that timeframe the SCADA system for both RPMWC and PVCSD was down. Watkins stated that with the propane tank level running empty, RPMWC staff were not able to remotely monitor the reservoir tank levels through the use of SCADA during this portion of the power outage. Watkins noted that since this issue RPMWC staff are monitoring the office propane tank level daily to proactively prompt PVCSD to refill the propane tank if needed to avoid any further issues. Watkins lastly noted that after each wind event RPMWC staff assess the equipment and procedures followed to continue to improve upon it ahead of the next event. Watkins noted that these PSPS events seem to be occurring more and more throughout the year and noted that her goal is to streamline the process for all future events. Shoaff questioned if the office propane tank has a device to track the propane level, allowing the tank to be filled automatically at a set percentage. Bandy suggested a letter be sent to PVCSD to ask if a device may be placed to alleviate future issues. Mathews noted that the propane tank does currently have the device installed to monitor the propane level. Shinner suggested setting the propane tank level to a higher percentage level setting.

b. Account Totals: Watkins presented the monthly revenue for November of \$177, 339 and the monthly revenue for December of \$148,858. Watkins reported the total year to date units sold for 2024-2025 fiscal year of 138,725 generating a revenue of \$187,069 in water sales. Watkins also noted the initial fixed charge for the 1.5” meters began in November.

c. Water Report: Watkins stated that the year-to-date slippage reflects a negative 932 units, leaving an overall loss percentage of -0.68%. Watkins noted the negative number reflects the use of water that was already in inventory.

6. Financials

a. B/S, R&E, 2-year Comparison as of November 30, 2024: This topic was discussed in agenda item b.

b. B/S, R&E, 2-year Comparison as of December 31, 2024: Watkins presented the financials for both November 2024 and December 2024, noting the line item for Construction in Progress has been adjusted to \$83,000 for rehab work at Well 39 since it was still in process at year end. Watkins reported a cash total of \$1,490,207 as of November 30, 2024, and a cash total of \$1,552,676 as of December 31, 2024. Watkins pointed out the fixed cost revenue with the new rates in place which includes the newly created 1.5” monthly meter fee. Bandy proposed to continue conducting a mid-year budget review after the rainy season has concluded. Watkins questioned if the Board would like to aim to begin the process in April, the Board agreed to that scheduling for the mid-year budget review. Knox questioned the items outlined in the 2024-2025 CIP approved amount of \$475,000. Watkins reviewed each project slated for the fiscal year. Pape also made note of some of the items that should also be considered for placement in the 5 year CIP for long term planning such as main replacement and replacement of service laterals. Pape noted that he and Watkins will work on identifying specific areas of concern. After further discussion Bandy would like Pape and Watkins to present a list of items that need to be addressed over the course of the next five years at the March Board meeting. Knox questioned if the proper reserve funds total was \$1,321,000. Bandy noted that this topic will be discussed later in this agenda. Watkins reviewed the Revenue and Expense Report noting the building expenses with PVCSD for December are not yet finalized. Watkins noted the line items 571 and 571.5 reflect the fixed charge pass-throughs that began in November. Watkins also noted the discrepancy of \$5,500 in what was billed to shareholders in December pertaining to the SDG&E delayed December invoices. Watkins stated that the discrepancy reviewed with the January billing. Watkins further noted the following line items; 603.9 is attributed to the expense of \$19,000 for the annual chlorine maintenance, 618 legal depicts \$12,782 with \$10,000 related to office building matters, 628 the Pauma Valley Roadway Association dues for both parcels owned by RPMWC along with the Hazardous Materials and Facility Annual Permit Fee. Watkins also noted the employee related costs are higher than normal in December due to three pay days that fell in December due to the New Years Day holiday. Knox noted the employee costs are running on average 25%, a great number. Watkins provided the 2-year comparison for all to review. Upon a motion by Knox, seconded by Kariya and unanimous vote, the November 30, 2024 and December 31, 2024 financials were approved as presented.

7. Consider approval of the draft Employee Handbook:

a. Implementation of the Employee Handbook with the most up to date labor laws: Watkins created a draft Employee Handbook which was reviewed by Best, Best and Krieger (“BB&K”) prior to this meeting to incorporate the recent labor law changes. Shinner suggested the placement of an Arbitration Agreement within the handbook. Bandy asked Watkins to table the discussion and to check with BB&K on the suggestion proposed by Shinner. This item was tabled.

8. **Consider approval of the revisions to the policies:**

a. Accounting Policy – updated to current operations: Watkins presented the revised policy that aligns with current operations. Watkins explained that this draft encompasses the YMWD Fixed Charge Pass-Through charges, the SGMA JPA pass-through charges and updates to other fees such as the returned check fee to reflect the current fees charged. Watkins also made note of the removal of the section that references the previous Memorandum of Understanding with PVCSD. After further discussion, a motion was made by Kariya to adopt and approve the revised Accounting Policy, seconded by Knox and with a unanimous vote.

b. Reserve Policy – revised to current limits: Watkins presented the revised Reserve Policy noting the four categories for consideration and a brief explanation of the historical formulas used to determine the reserve requirements for each category. Watkins noted that the current approved Reserve Policy does not include McMillan Farm Management's usage in the import water category as at that time they had a separate service established to provide additional water when and if needed. Watkins went on to explain that the basis used to determine proposed 115,000 units of YMWD water is from last years peak demand month of water sold at YMWD's current rates. The Board discussed the proposed amounts Knox questioned if this portion of the policy should be removed. Bandy stated that given the recent weather-related issues and electrical outings, we need to keep this in place in case of a catastrophic event. After further discussion, the Board tabled this topic and asked to discuss it at the March meeting.

Shinner exited the meeting at 3:25 p.m.

9. **Consider approval of the draft Discontinuation of Residential Water Service for Non-Payment Policy**

a. Discontinuation of Residential Water Service for Non-Payment Policy that complies with SB998: Watkins presented the Board with the draft prepared by BB&K. Watkins noted the importance of considering approval of the proposed policy as RPMWC has paused the shut offs for non payment at the recommendation of BB&K until this can be implemented. Watkins noted that only one customer in shut off status at this time. Watkins asked the Board to consider adoption of the policy. Upon a motion by Knox, seconded by Kariya and unanimous vote, the Board adopted the Discontinuation of Residential Water Service for Non-Payment as presented.

10. **RPMWC and PVCSD Update:** Bandy reported that he has encouraging news to share with the Board in Closed Session.

11. **Upper San Luis Rey Groundwater Management Authority Update (SGMA Update):** Bandy reported that the JPA agreed to conduct meetings on a quarterly basis. Bandy also noted that currently revenue from the first round of billing to all water purveyors is being received and a second round of billing will be sent out to the private well owners.

12. **Closed Session**

a. Pursuant to California Corporations Code Section 14305(b)(2) – Personnel Matters

b. Pursuant to California Corporations Code Section 14305(b)(2) – Potential Litigation, 1 case: The Board entered into Closed session at 3:40 p.m.

Open Session

a. Reportable Actions: The Board reconvened to open session at 3:55 p.m. No reportable action for item a and item b.

13. **Adjournment**

a. Annual Meeting Date at 2:00 p.m. – Wednesday, February 26, 2025:

b. Organizational and Regular Meeting Date at 3:00 p.m. – Wednesday, February 26, 2025: With the next meeting date set and no further business to discuss, Kariya motioned to adjourn the meeting, motion was seconded by Shoaff and upon unanimous vote the meeting adjourned at 4:01 p.m.

Kim Alvarado

Kim Alvarado, Recording Secretary