



Western Heights Water Company

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Minutes of January 18, 2019 Board of Directors Meeting

A Regular Meeting of the Board of Directors was held at the office of Western Heights Water Company, 32352 Ave D, Yucaipa, CA, on Friday, January 18, 2019. President Green called the meeting to order at 8:00 am. Directors present: Dr. Robert Zappia, Ben Kelly, John Dahlke, Duane Burk; General Manager Mark Iverson, and Office Manager Debbie Patrick. Others present: Adan Ortega – Ortega Strategies, Armando De La Paz, Shareholder

1. Public Comment – No public comment.
2. Minutes of Board Meeting – Minutes from the December 14, 2018 meeting were reviewed and approved. Motion by Director Burk and seconded by Director Zappia.
3. San Bernardino Valley Municipal (MUNI) Report – Director Kelly reported MUNI will continue to support the Sites Reservoir Project. The project was started ten years ago and will take an additional ten to twenty years to complete. Once completed, it will provide water to our area for years.
4. Board Meeting Schedule – The February Board Meeting will be Friday, February 15 at 8:00 AM. The Annual Shareholders' Meeting will be held on Wednesday, March 13 at 7:00 pm, with the Board Meeting following.
5. General Manager's Report
 - a) Discussion Items
 - a. Budget Status and Financials – Mr. Iverson reported the year ended with \$2.09 million cash on hand. This is a bit lower than he expected, however expenses were lower. Revenue is also lower, which is typical this time of the year. Overall the company is in good shape. Ms. Patrick explained the company has a \$1,000 CD at Bank of America, which is attached to a bond from the county. She is having difficulty getting the bond released but will continue to work on it.
 - b. Changes to Acquisition of Service Fees – Mr. Iverson proposed a modification to the acquisition of service charges to include existing properties that change ownership. In addition to the water share transfer fee, the new owner will be required to pay a water supply reliability fee equal to five years of imported water for properties on septic systems or seven years of imported water for properties on sewer. Current account holders of WHWC or property transfers between family members would not be charged the water supply reliability fee.

Motion 01:19 – To accept the General Manager’s recommendation to modify the acquisition of service charge to include existing properties.

1. Existing properties that change ownership pay the water supply reliability fee even if the property already has water service, as part of the water share transfer process and fees.
2. The water supply reliability fee would be equal to the cost of five years imported water for houses that are on septic systems or seven years for houses that are connected to Yucaipa Valley Water District sewers.
3. The fees would not be charged if the new property owner has an existing account with the company or if the property is being transferred to a family member.

Motion was moved by Director Zappia, seconded by Director Burke and approved 3-2, with Directors Kelly and Dahlke voting no.

Director Burk noted because of the groundwater pumping limitations that will be implemented as a result of the Groundwater Sustainability Act, water will cost more. If the company doesn’t implement policies like this, it will result in a higher cost for all customers.

- c. Board Member Compensation – Mr. Iverson presented a draft policy for board member compensation for attending meetings on behalf of the company.

Motion 02:19 – To compensate board members \$250 per month for normal meetings attended by the board members. Other meetings outside of regular meetings will need board approval. Motion was moved by Director Burk, seconded by Director Zappia, and approved unanimously.

- d. Rate Study – Mr. Iverson has been working on the rate study for a few months. He asked the board for consensus on the direction they would like him to take in order to finalize the new rate structure. There are several alternatives. We need to make sure the new structure will meet the company’s financial goals and not have a big impact on customer bills. Mr. Ortega will assist the company in communicating the changes to the customers with information flyers, bill inserts, website announcements, and social media. Mr. Iverson will meet with large use customers that will see the largest increase in their bill. Mr. Iverson will proceed to develop the new rate structure based on the following assumptions:

1. Four-Tier System, with 120 units as the maximum on Tier 3
2. Tier 1 and Tier 2 includes 25% of imported water
3. Raise the basic meter charge over time to cover 60% of fixed costs
4. Lower Tier 1 and Tier 2 water costs as basic meter charges increase
5. Volume charges cover variable costs, plus reserves, and remaining 40% of fixed costs not covered in the basic meter charges
6. Basic rates increase 20% each year for three years. Volume charges for Tier 1 and Tier 2 decrease at 2% or less for the same period
7. The rates will be phased in so overall the majority of customers, those in Tier 1 and Tier 2 see a maximum increase of 4% per year on their bill


b) Action Items

- a. New Rate Structure – Discussed in Item d of the General Manager’s Report.
- b. Amended Acquisition of Service Fees – Discussed in Item b of the General Manager’s Report.

6. Directors’ Matters

- a. Cost of Water Presentation and Discussion – Mr. Iverson presented information after adjournment of the Board Meeting.

The meeting was adjourned at 9:30 AM.



Debbie Patrick, Secretary to the Board