



Minutes of January 21, 2022 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 21, 2022. President Green called the meeting to order at 7:55 am. Directors present: Benjamin Kelly, Duane Burk, Armando De La Paz; Office Manager Debbie Patrick. Director Robert Zappia and General Manager Mark Iverson were absent.

1. Public Comment – None
2. Minutes of Board Meeting – Minutes from the December 17, 2021 Board Meeting were reviewed and approved unanimously. Motion by Director Burk and seconded by Director De La Paz.
3. San Bernardino Valley Municipal (MUNI) Report – Director Kelly reported the water allocation is up to 12 percent.
4. Board Meeting Schedule – The February Board meeting will be held Friday, February 18 at 8:00 AM. The annual shareholders meeting will be Wednesday, March 16 at 6:00 PM.
5. General Manager's Report
 - a) Discussion Items
 - a. Water Sold – Water sales for December 2021 are 10.5% lower than they were for December 2020, and 1.2% higher than for this time in 2020.
 - b. Budget Status and Financials – Not including the income for the GAC settlement, total revenues for 2021 are 9.7 percent higher than year to date in 2020. Expenses are 19.7 percent higher from this time last year. The primary reason that expenses are trending higher than last year is the significant increase in the cost of materials this year. The increases have been from 10 to 30 percent.

c. Projects Status Update

- i. 2022 Budget – The proposed 2022 budget is shown in Exhibit 5. For 2022, we assumed approximately 2% increase overall in revenue which includes a 5% increase in rates in May 2022 and approximately 7% decrease overall in expenses for the year. Overall, we are estimating \$3,052,064 in total income and \$2,159,947 in total expenses for a total net income of \$892,117. This does not include capital projects and special projects. We are estimating a total of \$600,000 in capital and special projects in 2022 which will include approximately 2,000 of pipeline replacement work on the Outer Highway, pipeline replacement work on 17th Street which is a carryover from 2021 and engineering and planning work on the direct potable recharge project at Wells 3 and 6. With the capital and special projects included, we project a net income of \$292,117 for 2020 and a total of approximately \$5,000,000 in financial reserves at the end of 2022.
- ii. Yucaipa GSA – Comments from the public and member agencies have been received, and Dudek is currently make final revisions to the GSA report. There were no major comments, and only minor edits are required. The next GSA meeting is Wednesday, January 26, 2022. The project is still on schedule and below budget.
- iii. Avenue E Central Reservoir Property Sale – The Central Reservoir site is in escrow and should close by the end of January. The buyer is Pristine Builders. The sale price was \$275,000. We are financing \$204,000 at 6% guaranteed payment for 36 months with a balloon payment at the end of 36 months. The monthly payment will be \$1,020 per month.

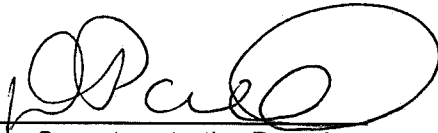
6. Action Items

MOTION 01:22 – To Approve the 2022 Budget as presented without any substantial changes. Motion made by Director Burk, seconded by Director De La Paz, and passed unanimously.

7. Directors' Matters

Director Burk reported San Gorgonio Pass Water Agency and South Mesa Water have entered into an agreement for a recharge project in South Mesa's service area. It is something to take note if Western Heights is interested in partnering with Muni at a later date that there is precedence set for a mutual water company to partner directly with a taxing agency such as Muni.

The meeting was adjourned at 8:18 AM.

A handwritten signature in black ink, appearing to read "Debbie Patrick", written over a horizontal line.

Debbie Patrick, Secretary to the Board