



Minutes of January 20, 2023 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 20, 2023. President Green called the meeting to order at 8:00 AM. Directors present: Robert Zappia, Benjamin Kelly, and Duane Burk; General Manager Mark Iverson, Office Manager Debbie Patrick. Director Armando De La Paz attended telephonically.

1. Public Comment – None
2. Minutes of Board Meeting – Minutes from the December 2, 2022 Board Meeting were reviewed and approved unanimously with Director Zappia abstaining. Motion by Director Burk and seconded by Director De La Paz.
3. San Bernardino Valley Municipal (MUNI) Report – Director Kelly reported there was nothing pertinent to Western Heights to report. Director Burk asked if MUNI is actively looking for additional sources of water. Director Kelly reported they do make deals periodically for in-lieu water. Mr. Iverson suggested inviting Bob Tincher to a future Board Meeting.
4. Board Meeting Schedule – The February Board meeting will be held Friday, February 17 at 8:00 AM. The Annual Shareholders Meeting will be Wednesday, March 15 at 6:00 PM.
5. General Manager's Report

a) Discussion Items

- a. Water Sold – Water sales for December 2022 are 19.0 percent lower than they were for December 2022, and 1.2 percent lower than for this time in 2021.
- b. Budget Status and Financials – Total revenues for 2022 are 13.4 percent lower than year to date in 2021. Expenses are 15.5 percent higher from this time last year. Expenses are higher because of the over 8% inflation rate which has caused the prices to be much higher this year. Revenues are lower overall because of the loses reflected in the decrease of the book value of our ETFs over what we paid for them.

Mr. Iverson went over the proposed 2023 budget. It assumes a rate increase of eight percent in May. This would be in line with the Consumer Price Index and keep the company on track with the financial projections.

The Accounts Payable Register and Major Projects were reviewed. Ms. Patrick answered a couple of questions regarding payments made.

- c. Projects Status Update

- i. Dangermond Property – The purchase of the Dangermond property for the future North Reservoir is complete. It closed December 19, 2022.
 - ii. 0 Tennessee Property – The City approved the tentative tract map for the project November 2. The final conditions of approval have been received. Mr. Iverson is working to get an estimate for the rough grading. He is also looking for developers to purchase the project as-is or to work with us in a partnership for the development and selling of the lots.
 - iii. 2022 Projects Summary – Mr. Iverson discussed the following capital projects completed in 2022.
 1. 17th Street – 1,300 feet 12-inch
 2. 18th Street – 500 feet 12-inch
 3. Well 10 Booster Piping Changes
 4. South Booster Station Piping Changes
 5. Well 2A Motor Replacement
 - iv. 2023 Projects Summary – Mr. Iverson discussed the following capital projects planned for 2023.
 1. Outer Hwy – 1,400 feet 12-inch
 2. South Tank Feeder Line – 1,000 feet 12-inch
 3. Lead Service Line Inventory
 4. South Booster Station Solar
 5. Well 10 Motor Replacement
 - v. 401(k) Contributions – As requested by the board, Mr. Iverson evaluated company paid 401K contributions. An increase of .5 percent would increase the payroll cost by \$4,400.
- d. Mr. Iverson and Ms. Patrick have been reviewing the Employee Manual. Mr. Iverson is recommending changes to the sick and vacation accrual to increase the vacation maximum accrual and a payout option for employees over their maximum accruals. The Board asked for some additional information for the next meeting.
 - e. Mr. Iverson provided information on the income from the rental properties in 2022. The total income was \$16,700. This includes the money spent on a new septic tank for one of the properties and replacing flooring in two units due to water damage.

6. Action Items

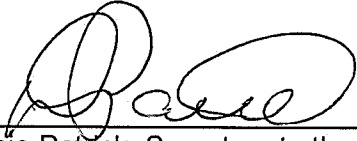
Motion 01:23 – Approve an increase in the company paid portion of the employees' 401(k) to 6.5 percent. Motion was made by Director Zappia, seconded by Director De La Paz, and approved four to one with Director Kelly voting no. Director Kelly wanted a seven percent increase.

Motion 02:23 – Approve the 2023 Budgets as presented. Motion was made by Director Burk, seconded by Director Zappia, and approved unanimously.

7. Directors' Matters

None

The meeting was adjourned at 9:18 AM.

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

Debbie Patrick, Secretary to the Board