



## Western Heights Water Company

32352 Avenue D • Yucaipa, CA 92399-1899

Office (909) 790-1901 • Fax (909) 797-2619 • [www.westernheightswater.org](http://www.westernheightswater.org)

---

### Minutes of August 17, 2018 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, August 17, 2018. 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

1. Public Comment – No public comment.
2. Minutes of Board Meeting – Minutes from the June 15, 2018 meeting were reviewed and approved. Motion by Director Zappia and seconded by Director Burk.
3. San Bernardino Valley Municipal (MUNI) Report – Director Kelly reported Mark Bulot is the new MUNI President.
4. September Board Meeting – The September Board Meeting is scheduled for Friday, September 21, 2018 at 8:00 am.
5. General Manager's Report
  - a) Discussion Items
    - a. Budget Status and Financials – Revenue is up because this time of the year has higher water usage. Expenses are being driven by the work on Yucaipa Boulevard. WHWC has \$1.5 million invested through LPL Financial. The money is invested in various CDs, with the first one maturing in October 2018. Mr. Iverson will have a report next month with the projected maturity of all the CDs. The plan is to have about \$100,000 in Community Bank and \$100,000 in a money market account with LPL. When the money market account reaches \$125,000 another CD will be purchased. The only item of concern with the budget is the revenue is projected to be about \$500,000 below budget at the end of the year. This is because there hasn't been a rate increase this year. Overall the company is looking good financially.
    - b. Yucaipa Basin GSA – A board meeting was held on Thursday, August 9. The purpose was to interview the three consultants that submitted proposals for the preparation of a groundwater sustainability plan. Dudek was determined to have made the best proposal, but their fee estimate was the highest of the three. A motion was passed to form a sub-committee to meet with Dudek to discuss their fee and find ways to reduce it. Joe Zoba, Dave Armstrong, and Mr. Iverson are on the sub-committee. They met with Dudek, Tuesday, August 14 and will present the findings to the GSA board at the next board meeting for further action.

- c. Stock Split Update – The stock split is complete. Notices have been sent to the shareholders. Customers have called and come into the office with questions. Some shareholders have requested copies of their certificates.
- d. Yucaipa Boulevard Pipeline Status – WHWC crews continue work installing the 12-inch waterline along Yucaipa Boulevard. The 250-foot segment in front of the Mobil gasoline station is complete along with segments from 17<sup>th</sup> Street to 15<sup>th</sup> Street. Our crews are now working on four 8-inch lines crossing the boulevard and the remaining 1,200 feet between 16<sup>th</sup> and 15<sup>th</sup> Streets. We have worked closely with the City of Yucaipa to coordinate the work so that we can and complete the remaining work with our crews. This has saved money on installation costs. Mr. Iverson will prepare a final cost of the project, once all work is complete. When the project is done, WHWC will have new 12-inch pipe all along Yucaipa Boulevard.
- e. New Development – There are several new developments being planned in our service area. We have meet with the development companies and their engineers several times in the past two months. Water service connections are straight forward. For now, we can provide the required water service with the existing infrastructure. Some additional upsizing of existing water lines will be required. We will continue to work with the developers to determine any required upgrades. We will require the developers to pay for the upgrades where appropriate. Because of the new developments, Mr. Iverson is working with ERSC to update our water system model so that we can run scenarios to determine future storage and distribution requirements. However, in the short-term, no major improvements are needed.

Below is a brief summary of the new developments being proposed and the estimate acquisition of service fees.

- Stater Brothers Property – The developer is proposing eight restaurant and fast food businesses, a car wash, and a small strip mall on this vacant property. They are also planning either a major retail store and health club or 55 town homes and 182 apartments instead. Estimated acquisition of service fees: \$1,500,000.
- 17<sup>th</sup> Street Between Avenues D and E – A developer is planning to construct approximately 50 single family homes. Estimated acquisition of service fees: \$1,200,000.
- 12<sup>th</sup> Street and Avenue E – A developer is planning to construct approximately 56 single family homes. Estimated acquisition of service fees: \$1,500,000.
- Crafton Hills College – Mr. Iverson met with Ray Casey on Thursday, August 2 about progress on the business office space and apartments associated with the College. A tentative plan is being presented to city council for approval in August. The tentative plan has 20,000 to 30,000 feet of business office space, which may include restaurants and about 400 apartment units. The City will forward us the approved plan. Any development north of Yucaipa Boulevard associated with the College will require a new tank operating at a higher pressure zone, a booster

station to fill the tank, and the associated distribution pipelines. The City will work with us to locate a suitable tank site north of Chapman Heights Road to support the project. The costs of the new tank, booster and distribution piping will be paid primarily by the developer. Estimated acquisition of service fees: \$2,500,000.

The Board would like Mr. Iverson to look into a policy to charge frontage fees to new developments to pay for the needed infrastructure upgrades. If these fees are calculated into the acquisition of services charge, they need to be broken out.

- f. Rate Study – Mr. Iverson is beginning work on a rate study using a cloud-based rate modeling software from Capital Objects. Capital Objects specializes in water system rate study analysis. The application uses input from our 5-year proforma budget, our capital improvement plan, our bank balances, and financial goals to evaluate our existing water rate structure. The application allows development of alternate rate structures and comparative analysis of the alternatives. Mr. Iverson will present updates and preliminary results to the board of the analysis at the coming board meetings, and he should have a final recommendation by the end of the year.
- b) Action Items
- a. Five-Year Financial Goal and Strategy – Mr. Iverson proposed a five-year financial goal and strategy for WHWC. It would set the goal at \$4.5 million in cash reserves to be achieved by the end of 2024. The Board requested he include the minimum amount to be kept for operating expenses, which would be reviewed periodically, and it would take a 4/5 majority vote to change the minimum.
  - b. Rate Increase

**Motion 15:18** – To accept the General Manager’s proposal for a 3.5% rate increase effective the next billing cycle. Motion was moved by Director Burk, seconded by Director Zappia.

After discussion, the motion was amended as follows:

To accept the General Manager’s proposal for a 3.5% rate increase effective the next billing cycle, with the rates to be reviewed annually. Motion was moved by Director Burk, seconded by Director Zappia, and passed unanimously.

## 6. Directors’ Matters

- a) Director Green asked Ms. Patrick to update the Board on the office staff training. Ms. Patrick reported the staff is excited for the opportunity to attend training. Lissa has taken a basic computer class and has begun a water distribution class. Amy is taking a two-day Excel course this month. All three in the office have taken classes from Incode. Ms. Patrick has passed her Notary exam and will soon be able to provide this service to the customers.

The Board took a brief recess.

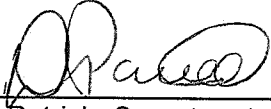
## 7. Interview with the General Manager

The Board interviewed Mr. Iverson about his accomplishments during his first year at WHWC. The Board is pleased with Mr. Iverson’s performance.

The Board moved into Closed Session at 9:30 am.

The meeting was reopened to report the Board is giving Mr. Iverson a performance bonus in lieu of a salary increase.

The meeting was adjourned at 9:40 am.



---

Debbie Patrick, Secretary to the Board