



Minutes of December 14, 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, December 14, 2018. President Green called the meeting to order at 10:00 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 October 19, 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 the state water allocation is starting at 10 percent, which is normal. It is expected to increase.
4. January Board Meeting – The January Board Meeting is scheduled for Friday, January 18 at 8:00 AM.
5. General Manager's Report

a) Discussion Items

- a. Budget Status and Financials – The financials look good. Mr. Iverson estimates the company will have \$2.2 million cash on hand by the end of the year.

Motion 18:18 – To approve the 2019 budget as presented. Motion was moved by Director Burk, seconded by Director Kelly and approved by unanimous vote.

- b. Water Supply Reliability – The loss of Well 2A due to 123TCP contamination reduced our water production capacity by approximately 18 percent. This causes the company to be out of compliance with the sanitary survey in terms of water supply redundancy. The company has been voluntarily importing approximately 20 percent of total water served from Yucaipa Valley Water District. Now that Well 2A is offline, 18 to 20 percent must be imported to maintain water supply reliability. A lot of agencies will abandon the well and go to another site, which is cost prohibitive for the company. The treatment is less expensive and the company is will likely be reimbursed for the associated costs.
- c. Yucaipa Basin GSA – A GSA board meeting was held November 14. The City of Calimesa has withdrawn from the GSP. The MOA requires that they give 90-day notice. The notification arrived October 4; their last day on the GSP is January 4, 2019. Calimesa is financially responsible for costs incurred up to the day of their withdrawal, which means they are responsible for their portion of consulting fees for the GSP consultant. The next meeting is January 23, 2019.

- d. Well 2A TCP – Legal counsel is working to have the case for 123TCP contamination put on the docket with the San Bernardino Superior Court. The settlement will likely take several years. Hazen has been retained to help design and submit an activated carbon system for the well to the Water Resources Control Board for approval. The total consulting fee is \$160,000. The company should be reimbursed for the consulting fee with the settlement; however, the work to remove TCP needs to be done even without the settlement. Hazen is one of several consultants that have experience with activated carbon systems and TCP removal.
- e. Well 9 – The company plans to reactivate Well 9. The estimated capacity is 150 gpm. A submersible pump system will be installed because of the low flow capacity. The new pumping equipment and electrical is \$68,000. Work will begin after January 1, 2019. The pump will be online by the summer 2019. The additional pumping capacity is needed because of the loss of Well 2A.
- f. Well 10 – The pump and motor from Well 10 have been removed and the casing bush, bailed and video inspected. The casing is in acceptable condition, but it is approaching the end of its life. The pump bowls and column pipe are badly worn and need to be replaced. The motor will be replaced with a premium efficiency motor. The cost of the new pump and motor is \$63,000. The restored capacity will be approximately 330 gpm. The capacity of the well had dropped to less than 100 gpm.
- g. Land Use/Water Supply Projections – The land use and water supply projections have been completed. The company currently serves approximately 2,200 customers and delivers 1,800 Acre Foot (AF) of water per year. At ultimate buildout, annual water deliveries are estimated to be 5,100 AF per year. The safe yield of the Western Heights Water sub-basin is 2,200 to 3,000 AF per year. The actual safe yield will be determined in the GSP. Regardless of the determined safe yield, the majority of the water supply will need to be imported at some point in the future. The company may have to build a water plant in the future. Dr. Zappia would like to keep investigating getting water from San Timoteo Canyon.
- h. Rate Study – Mr. Iverson has begun developing a new proposed water rate structure. He has developed a three-tier and a four-tier system. Mr. Iverson is recommending the four-tier option. A key problem with the current rate system is that there is no cap on the excess rate, and the company cannot remain financially sound in the future as water supply demands increase. Another problem with the current rate system is the charge for imported water is lower than what the company is paying. Either of the two rate structures solves these problems. The four-tier option ensures that wasteful water users pay their fair share of water costs along with costs for improvements to the infrastructure. Mr. Iverson will bring back final recommendations to the board in January and February, and hopes to implement the new rates in March, after the annual shareholders' meeting.

b) Action Items

- a. 2019 Proforma Budget – The 2019 budget was discussed and voted on in the General Manager’s Report, Item a.
- b. Cost of Living Increase for Staff – The General Manager requests a COLA increase for staff in the amount of 4.1 percent. This is in-line with the Consumer Price Index for the region.

Motion 19:18 – To accept the General Manager’s recommendation for a 4.1 percent Cost of Living increase for staff. Motion was moved by Director Burk, seconded by Director Kelly and approved by a vote of 4-1, with Director Dahlke voting no.

6. Directors’ Matters

Nothing to be discussed.

The meeting was adjourned at 11:17 am.



Debbie Patrick, Secretary to the Board