

Minutes of the Meeting
Of the Board of Directors of
Crestview Mutual Water Company
October 31, 2018

Convened Meeting

The meeting was called to order by President Norm Fahnoe on Wednesday, October 31, 2018, at 4:10 p.m. at the Corporation office.

Attendance and Quorum

Directors Present: Norm Fahnoe – President
 Sol Chooljian – Vice President
 Doug Off – Treasurer
 Roger Whitlock – Secretary
 Steve Gill – Director

Directors Absent: None

Others Present: Robert Eranio – General Manager
 Lauri Marino – Office Manager
 Jim Lingl – Shareholder
 Alma Quezada – Shareholder

Shareholder's Public Forum

Jim Lingl (Estaban Drive) and Alma Quezada (Lopaco Court) were present to observe the meeting.

Approval of Minutes

The minutes of the September meeting were presented. On a motion made by Steve Gill and seconded by Doug Off, the Board approved with four ayes and one abstention the following:

Resolved, that the minutes of the meeting of the Board of Directors of September 18, 2018 be accepted as presented.

Monthly Financial Review

The financial statements for September 2018 were presented and discussed by the Board. All significant variances compared to budget were reviewed and explained by Staff. Robert Eranio

advised that Water Sales – Account 3012 are over 15% ahead of budget, and most likely will continue to exceed budget for the remainder of the fiscal year. Account 3018 – Miscellaneous Income is over budget by \$10,000; Staff will research this amount and add a note to the financials.

Cost of Service Study

Robert Eranio reported on the cost of service study he completed for the Company. The assumptions for the study were reviewed; discussion ensued. The cost models presented are based on actual operating costs. Crestview continues to build up reserves to fund capital projects per AB54 requirements. Further discussion ensued. While the model results show Tier #2 and Tier #3 should be slightly lower, the Board determined that reducing the higher tier costs sends the wrong message to the Company's shareholders. The study confirmed that absolute allocation of expenses to any tier is hazardous, as any change in water demands will have a significant impact on rates. Crestview's existing rate structure is within reasonable limits of capturing revenue based upon the cost to provide water within each tier, given the variations in water demands each year.

Fiscal Year 2018/2019 Budget

Staff presented a budget for the upcoming fiscal year. Currently, a \$5,000 surplus exists on \$2.7 million dollars in revenue. 5% was added to salaries based upon a 3.9% Consumer Price Index. Future water usage trends indicate a decrease in water sales. Crestview will have approximately \$1.45 million in cash at the beginning of the fiscal year. \$1.2 million is forecasted as a fiscal year-end balance, provided that a \$1.1 million construction loan is secured. Loan repayments are budgeted to start in May 2019. Water rates were discussed; Tiers 2 and 3 are currently subsidizing Tier 1, as reported in the cost of service study. The Board agreed with Staff's suggested rate structure as follows for 2019: Tier 1 will increase from \$3.00 to \$3.15 per thousand gallons, Tier 2 will increase from \$6.00 to \$6.20 per thousand gallons, and Tier 3 will increase from \$8.80 to \$9.40 per thousand gallons. Interest on the loan is factored into the budget. Stand-by charges will remain the same at \$9.00 per share per month, but will be reviewed again next year once Well 7 is listed as a fixed asset and incorporated into the Company's depreciation schedule. Power costs will drop slightly based upon TOU rules. Staff will bring back the final budget report at the next Board meeting.

Well #7 Project Update

Robert Eranio gave an update of the status of Well #7. Crestview has been approved for up to a \$1.5 million loan, with a 10 year payback at 5.5% interest. This lender is the second to state that the Board must receive approval from the bank prior to securing any subsequent funding. Multiple financial mechanisms are being researched. Staff reported that Rincon Consultants are expected to complete the Environmental document by November 2. The pump house has grown from 250 sf to 1000 sf. The newest elevation design features a concrete driveway, with no block

wall needed. Crestview's engineer is preparing estimate for the new design as compared to the original design. Another possibility is to move well house all the way to the back of the parcel. A natural gas generator will be set on the site for backup power in the event of an emergency. The contract from Southern California Gas at a cost of \$18,464.68 was discussed. Staff will inquire about further line item exemptions from the pricing components. The Earth Systems contract was discussed, particularly item 6 – "Risk Allocation" addressing both parties concerns. Crestview's attorney spoke with Earth System's legal department. Jim Lingl reviewed the item, and explained that negotiations regarding this provision should be completed ahead of time. Staff will meet again with the neighbor focus group after architect renderings, materials, landscape changes have been incorporated. If well house drops to the back, the project becomes more complicated and expensive. Doug Off inquired about the well to waste line. Robert reported that 5,000-gallon tank will be used on site, with that water then used there for landscape watering. An overflow from the tank will be needed, with the excess water being released back to the environment.

General Manager's Report

Well #4 Groundwater Pumping Levels – the level has decreased to 15.5 psi and holding.

Intertie – Calleguas awarded the contract to Cedro Construction and this item is on their agenda to be adopted at their Tuesday November 6 board meeting. If adopted, groundbreaking will occur in early February. When the project is complete, the approximately \$850,000 intertie will be deeded back to Crestview as a Company asset. This new intertie will allow up to 3 cubic feet per second of water will being delivered in the event of an emergency, provided we are operationally capable.

Well #8 – Calleguas has signed the contract; \$2.1 million is encumbered. The natural gas generator that Crestview hoped to install was removed from project at Calleguas' request. The contract terms and conditions have changed in that if there is no power, Crestview has no requirement to produce water if state water deliveries cease in a catastrophic emergency. Robert will meet with the developer on November 1 to discuss grading and project plans. Crestview will have 5 years to complete the well and place it online. Well #8 will be a formal backup to Well #6, with Well #7 a backup to Well #4.

Website Design – Staff presented a demonstration of Crestview's website, which is now live at www.crestviewwater.org.

Edison Public Safety Power Shutdown (PSPS) Events and District Notification – The probabilities for this type of event to occur were discussed. Edison has disclosed the new PSPS requirements are being implemented at the urging of the Public Utilities Commission. Crestview can gravity feed water into Reservoir 2 in a power outage, but until a generator is installed for Zone 3B, we will be dependent on Cal-Am to supply water during a power outage.

Adjournment

On a motion made by Doug Off, seconded by Steve Gill, and approved unanimously, the regular meeting was adjourned at 5:30 p.m.

Next Meeting

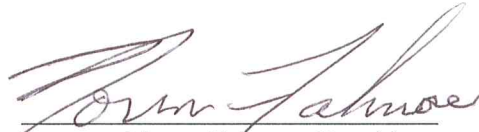
The next meeting of the Board of Directors will be held on Tuesday, December 4, 2018 at the corporation yard office.

Submitted by,


Lauri Marino, Office Manager

Approved by,


Roger Whitlock, Secretary


Norm Fahnoe, President