MINUTES OF DIRECTOR'S MEETING

A meeting of the board of directors of Pinon Pines Mutual Water Company
was duly called and held on November 18th, 2025, at the Pinon Pines Community Building
located at 1001 Coldwater Drive, Frazier Park, CA.

Director's present and participating: Brandon Grosh (Zoom), President; Bill Vanek, Vice President; Roger Huff, Treasurer;
Members Not Present: Debbie Smith, Secretary; Empty Seat, Member-at-Large;
Employees Present: Lee "Chuck" Winagura, General Manager; Santa Carruth, Bookkeeper;
Employees Not Present:
Others Present: Carlos Bravo (Zoom), Self Help Enterprises;

Open Session:

Called to order at 6:10 PM by Chuck Winagura

Meeting Purpose

Review Q3 project progress, approve financials, and finalize the 2026 budget.

Key Takeaways

- **Project Stalled by SCE:** The project is delayed by an unapproved Southern California Edison (SCE) application. A new QK project manager will escalate, with the State Water Board as the next step.
- **New Financial Strategy Adopted:** A formal Capital Improvement Program (CIP) fund will be established to reduce taxable income and build reserves. A rate increase is planned for 2027, with annual CPI adjustments thereafter.
- **2026 Budget Approved:** The 2026 budget was approved, projecting a $64,765 operating surplus to be contributed to the new CIP fund.
- **New Reporting & Vendor Review:** Weekly updates will be sent to the board. The board will review proposals for new attorneys and CPAs to address high costs and a pending retirement.

Topics

Q3 Project Progress & SCE Delays

- **Status:** The project is stalled, primarily due to an unapproved SCE application.
- **Q3 Work Completed:**
    - **July:** Pump/motor installed; tough shed foundation re-dug; 90–95% of underground piping installed at well site.
    - **August:** Building foundation pad poured at well site.
    - **September:** Underground piping at storage tank completed; flex tanks landed on storage tank.
- **Financials (as of Sep 30):**

    - **Contractor Invoiced:** $2,834,748
    - **Total Invoiced:** $3,370,443 of $5,078,061 (project budget increased from $4.2M)
- **Timeline:** The project timeline extension to October 2026 is pending approval.
- **SCE Escalation Plan:**
        - **New QK Project Manager:** Will first attempt to resolve the issue with the SCE representative.
        - **State Water Board:** If the PM is unsuccessful, the board will contact higher-ups at SCE.
        - **Legal Action:** Considered as a last resort if other methods fail.
- **Generator Rental:** A rental is now likely, as the cost ($11k–$15k) is well within the $126k contingency fund.

Tank Permitting & State Compliance

- **New Tank Permitting:**
    - The state required the new tank be drained, disinfected, and re-tested due to the project's long delays.
    - The bacteriological test results are now clean, and the report will be submitted to the state to secure the permit.
- **State Contact Retirement:** Jesse, the state contact, is retiring in mid-December. The impact on the variance application is unknown.

Previous Meeting Minutes Approval

- **October Minutes Approved:**

Roger Huff, Motion to Approve
Bill Vanek, Seconds
2 Ayes, 0 Nays, 1 Abstain.

Financials & Budget Approval

- **Claim #15 Approved:** A claim for $93,659 was approved, with $70,207 going to Unified Field Services for booster pumps.

Roger Huff, Motion to Approve
Bill Vanek, Seconds
3 Ayes, 0 Nays, 0 Abstain.

- **October Financials Approved:**
    - Delinquencies: 50 late notices sent (a normal volume).

    - Tax Penalty: A $155 penalty was paid due to a CPA communication error; a penalty abatement form was signed.
    - October Financials:

      Bill Vanek, Motion to Approve
      Roger Huff, Seconds
      4 Ayes, 0 Nays, 0 Abstain.

- **2026 Budget Approved:**
    - Income: $324,000 (from water fees & late charges)
    - Expenses: $259,235
    - Add Average Transfer Fee/year
    - Net CIP Contribution: $64,765

      Roger Huff, Motion to Approve
      Bill Vanek, Seconds
      3 Ayes, 0 Nays, 0 Abstain.
- **2026 CIP Approved:**
    - Focus: Well 4 connection (electrical upgrades, pump resizing) and Well 5 planning.
    - Funding: $75,000 in planned expenditures, covered by the $64,765 contribution plus unused 2025 CIP funds.

      Roger Huff, Motion to Approve
      Debbie Smith, Seconds
      3 Ayes, 0 Nays, 0 Abstain.

New Financial & Operational Strategy

- **Formal CIP Fund:**
    - Rationale: To reduce taxable income and build long-term reserves.
    - Action: The existing savings account will be formally designated as the CIP fund.
    - Process: A monthly budget line item will transfer funds from the operating account to the CIP fund, with all CIP expenses paid from this account.
- **Rate Increase Plan:**
    - Timeline: A rate study will begin after the SCE project is online and stable (est. 2 months post-launch).
    - Implementation: A rate increase is planned for January 2027, followed by annual CPI adjustments to maintain financial health.

- **Vendor Review:**
    - Rationale: High CPA fees (tripled in 3 years) and a pending attorney retirement.
    - Action: The board will review proposals for new attorneys and CPAs.
- **Software & Compliance:**
    - ABS: Will be canceled by EOY Q1 2026 after the CPA's financial review is complete.
    - Cal Savers: Enrollment is required by EOY 2025. The board will use the free state service, not a paid ADP plan.

Meeting adjourned at 7:17 PM