

ANNUAL SHAREHOLDERS MEETING

Date: July 25, 2020 Time: 1:30 PM.

Location: Crestline Sanitation District, Meeting Room
24516 Lake Drive, Crestline, CA 92325

PRESENT: President, Donald Pederson
Vice President, Gilbert Flores
Treasurer, Daniel Dobrescu
Secretary, Joseph Jackson

ABSENT: Director, Eric Stone

STAFF: Chief Operator, Nathan Burwell
Office Administrator, Rosemarie Garcia
Customer Service Representative, Janet Faxon

- Introduction of members of the Board and Staff in attendance.
- Director Flores leads the Pledge of Allegiance.

General Information

Director Pederson reports the following:

- Currently the Company has 749 active Service Connections.
- The Company has produced 19,948,683 gallons of water during the last fiscal year; May 01, 2019 through April 30, 2020. The Company has not had to purchase any CLAWA water since February of 2019.
- There are 4170 shares outstanding as of July 17, 2020.

Quorum and Share Count

- Company By-Laws dictate that *“A majority of the shares issued, outstanding, in good standing represented either in person or by proxy shall constitute a quorum for the transaction of business. Each shareholder shall be entitled to one vote for each share standing in his name on the books of the Company, whether represented in person or by proxy.”*

- The number of shares which must be represented in person or by proxy for a quorum to be achieved at this meeting is 2086.
- The number of shares represented in person and by proxy for this meeting as of 1:30 pm this day is 248.
- Because a quorum has not been achieved, no business may be transacted at this meeting.

Financial Status

Director Pederson reports that a full independent audit of the Company's financials has been performed for the fiscal year 2019/2020 by Smith-Marion & Company. Director Pederson provides a review of the audit report and annual financial statements to those in attendance. Copies of the annual financial statements and audit report have been made available to all of those in attendance, and may also be provided upon request at any time during the year. A question and answer period was provided.

Legal Status

Director Pederson reports that the Company is not currently engaged in any litigation, nor is the Company aware of any specific threat or potential for future litigation. A question and answer period was provided.

Water Quality and Production Operations

1) Water Quality.

A. Director Pederson indicated that a copy of the current, previously mailed Consumer Confidence Report for calendar year 2019 has been made available to all of those in attendance, and may also be provided upon request at any time during the year. There were no water quality violations for 2019.

B. Director Pederson explains the Lead Action Exceedance Level and Public Education Program letter we all received a few months ago. This is related to a mandate from the State Water Resources Control Board (SWRCB) in response to (2) out of (10) customer tap samples taken in September 2019, that tested for lead at a level (over 15 parts per billion), that triggers mandatory action by the State and the Company. Director Pederson clarifies that;

- There are no detectable amounts of lead in our community's water sources, or the water we deliver.
- We have no lead pipes, lead components or other detectable sources of lead within our water system.
- Some household samples (2 of 10) taken last year tested positive for lead and copper, at a level that we are required to investigate.

- These household tap samples may have old pipes, and/or the tap the sample was taken from was not regularly used within the household, which would make the sample more prone to yield a higher lead/copper result.
- We have been required to perform a Public Education Program, which includes the notice sent to all customers, and a pamphlet available at the Office.
- We are also being required to perform a study to see if the water we are delivering contributes significantly to the corrosion of household plumbing with lead or copper pipes and/or fittings.
- This has to do with the Potential Hydrogen (PH) level of the water running through the pipes. PH that is too low or too high can have a corrosive effect on plumbing within a home, especially in a home that has lead pipes, or copper pipes with lead solder joints. According to a representative from the Division of Drinking Water (San Bernardino), several other water companies in the mountains have experienced the same situation (including LASD and Cedar Glen). He indicated the ideal PH level is about 8.3 (slightly basic, 7.0 is neutral). Our test results show we have an average PH of 8.37 on the south side of our system, which is where these higher results were found.
- Subsequent tap samples taken in June 2020 showed only (3) out of (20) with detectable amounts of lead, and only (1) higher than the 15 parts per billion threshold (at 18ppb). So we are already back below the “action level”.

A question and answer period was provided.

2) *Water Loss.*

Director Pederson reports that the Company had experienced an approximate 7% total loss for FY 2019/2020 (down approx. 4% from last year), and also a total approximate 7% loss for the last 6-months. The Company continues to replace the oldest and/or potentially malfunctioning water meters at a regular rate. Director Pederson reminds all that it’s important to report water seen running in the street, water running from a home, trucks hooked up to hydrants or any other suspicious activity. A question and answer period was provided.

Drought Regulations

Director Pederson reports that the Company is under no State restrictions as of this time, however reminds all that as consumers we are all still subject to the State’s “End User Requirements”, most of which have been incorporated into the Company’s Rules and Regulations. These include allowing run-off when irrigating turf or landscapes, using a hose without a shut off nozzle to wash cars, hosing down driveways, and use of potable water in fountain or pond in a non-recirculating system. A question and answer period was provided.

Capital Improvements

- We have completed interior and exterior rehabilitation of both Lover's Lane tanks at the beginning of last FY, at a cost of about \$64k.
- We completed replacement of most of the Pressure Reducing Valves throughout the system at a cost of about \$9.5k.
- We have completed replacement of Ferncrest Tank#2 (200k gallons), at a cost of \$225k.
- We intend on recoating/rehabilitating Ferncrest Tank#1 (125k gallons) in September for about \$100k.

Question & Answer Period

The Board and Staff responds to questions from those in attendance.

Nominations and Election of Directors

Being a quorum of Shareholders has not been achieved, the vacancy will be filled by majority vote of the remaining Directors at a subsequent Regular Meeting of the Board.

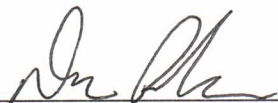
Introduce Applicants for open Board of Director positions

Eligible candidates who have submitted applications for Board service:

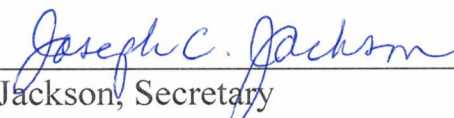
- No applications for Board service have been received.

Conclusion

The meeting was concluded at 2:37 pm.

Approved: 
Donald Pederson, President

Date: 8/20/2020

Attest: 
Joseph Jackson, Secretary

Date: 8/20/2020