

ANNUAL SHAREHOLDERS MEETING

Date: July 27, 2019 Time: 1:30 PM.

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

PRESENT: President, Donald Pederson
Secretary, Eric Stone
Treasurer, Daniel Dobrescu
Director, Joseph Jackson

ABSENT: Vice President, Gilbert Flores

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 Stone leads the Pledge of Allegiance.

General Information

Director Pederson reports the following:

- Currently the Company has 751 active Service Connections.
- The Company has produced and purchased 21,965,122 gallons of water during the last fiscal year; May 01, 2018 through April 30, 2019.
- There are 4155 shares outstanding as of July 20, 2019.

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 2078.
- The number of shares represented in person and by proxy for this meeting as of 1:30 pm this day is 473.
- 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 2018/2019. Karina Galindo (Smith-Marion & Company), 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.

Director Pederson indicated that a copy of the current, previously mailed Consumer Confidence Report for calendar year 2018 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 indicated for 2018. A question and answer period was provided.

2) Water Loss.

Director Pederson reports that the Company had experienced an approximate 11% total loss for FY 2018/2019 (down approx. 13%), and total approximate 7% loss for the last billing period. CLAWA purchase for the last 5-months has been zero. 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

1) SCADA System (Supervisory Control and Data Acquisition).

Director Pederson Reports the Company has completed implementation of the SCADA system at all our tank and vertical well sites a few months ago, at a cost of about \$66k (includes \$13k last year). The system provides for remote monitoring of tank levels and well levels (providing alarms via cellular communication), provides for remote activation of various pumps, and also provides compilation of hard data for all those operations.

2) Tank Inspections and Maintenance

Director Pederson reports the Company has completed interior rehabilitation of both Lover's Lane tanks last month, with the exterior to be completed next month (waiting for the bug population to die off) at a cost of about \$64k. We have received proposals for rehabilitation/replacement of both Ferncrest tanks for about \$275k, and expect to have one completed this year.

Rate Study

Director Pederson reports that the Company, with the help of the California Rural Water Association, has had performed an extensive Rate Study. The preliminary conclusions of this study recommend that we should raise rates 4% each year for the next 5-years. Director Pederson indicates that the Board may not approve increases of that magnitude, but that some increase is likely imminent this year.

Discussion and deliberation concerning a rate increase will commence at subsequent Regular meetings of the Board once the final report is received.

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:

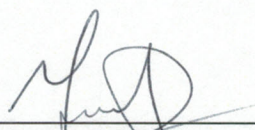
- James Hanania (absent).

Conclusion

The meeting was concluded at approximately 2:38 pm.

Approved: 
Donald Pederson, President

Date: 8/15/2019

Attest: 
Joseph Jackson, Secretary
GILBERT FLORES

Date: 8/15/19