



Memo

To: Board of Directors
From: Alan Clanin, General Manager
Date: March 17, 2020
Subject: Managers Report

1. IT System –

The old Comet Server has been virtualized and the new Domain Controller server is online.

The District has upgraded Internet speed at the District Office replacing the old DSL Service with Fiber Optic Service. This speed increase will allow for off-site data storage in the future if needed.

2. Electra Well –

The Electra Well was damaged during the Thanksgiving snow storm when a contractor that plows snow for the County in the Valley of the Moon area hit and sheared off the top of the well head causing it to drop almost 50 feet into the well casing. Sam Crum Well Drilling was able to recover the pump and motor which will have to be replaced. A claim has been filed with the County of San Bernardino. District Staff will resume research for a cost-effective treatment solution once the new pump and motor is tested.

3. Physical Plant Upgrades –

The Field Staff has been taking advantage of the inclement weather with cleaning, painting and repairing district facilities which include building new a shelving unit to accommodate the servers and IT appurtenances.

4. Valley View Park MWC Consolidation –

Valley View Park Mutual Water Company has submitted a proposal for consolidation to the District.

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Proposal for Consolidation of Valley View Park Mutual Water Company (VVPMWC) with Crestline Village Water District (CVWD)

The Board of Directors of the Valley View Park Mutual Water Company (VVPMWC) formally propose consolidation with the Crestline Village Water District (CVWD).

It would be understood by both parties that this consolidation is not the result of either parties' failure to provide the desired services in a high-quality, fiscally sound manner. VVPMWC is currently debt free and free from any known liabilities. It is the understanding and desire of both parties that this is a mutually beneficial consolidation for both parties and their stakeholders. VVPMWC shareholders would receive, in return for the transfer of their system assets, real property assets, and future revenues, future support and stability through economies of scale and operating efficiencies from CVWD's existing operational capabilities. Upon consolidation, with the equalization of rates for VVPMWC's shareholders to CVWD's current rates (an average increase of around \$8.20 per month for VVPMWC's shareholders), as well as accepting future CVWD rate increases as allowed by Prop. 218. A consolidation would result in CVWD receiving an additional \$133,000 (approximate) in annual revenues (with minimal related overhead or operating expenses). Additional benefits to CVWD would include around 2M gallons per year of locally produced well water with the potential for even more from current VVPMWC well assets.

In light of the benefits to both entities, and the value of the transfer of substantial real estate and infrastructure assets to CVWD, the Board of Directors of the VVPMWC propose consolidation with the CVWD under the following terms and conditions:

Conditions

1. VVPMWC is, and will continue to be, free from debt and will not place any encumbrances upon the assets of the VVPMWC.
2. VVPMWC is free from any current or impending legal matters. Any potential or anticipated legal matters arising in the future will be disclosed to CVWD immediately.

Pre-Consolidation Costs

1. As the entity initiating consolidation, VVPMWC will pay for the required LAFCO deposits and fees (approximately \$17,740.00). VVPMWC will deposit with CVWD \$10,000.00 to be used by CVWD to pay these costs. Additional, direct LAFCO associated costs, will be paid for by VVPMWC when incurred. Any unused portion of these funds will be returned to VVPMWC upon completion of consolidation or in the event consolidation is not consummated.
2. As the entity receiving the future revenues and substantial real estate and infrastructure assets in this consolidation, CVWD will provide for any desired internal due diligence, feasibility, or fiscal impact studies, as well as LAFCO application completion, through the time and resources of their personnel. VVPMWC will assist by providing any and all available files, records, and documents.

Asset Transfer

1. At or upon completion of consolidation:
 - a. any and all remaining cash funds held by VVPMWC will be disbursed to VVPMWC shareholders on a pro rata basis in return for their relinquishment of any and all shares or claims of VVPMWC ownership,
 - b. VVPMWC will vacate its right to serve water to the VVPMWC service area,
 - c. VVPMWC will transfer all service rights held with CLAWA to CVWD,
 - d. VVPMWC will transfer its Water System Permit held with SWRCB to CVWD,
 - e. VVPMWC will transfer any and all currently held assets including: all real property, easements, water rights, wells, tanks, improvements, structures, tools, equipment, vehicles, and in-ground infrastructures to CVWD as-is, with no warranties, written or implied,
 - f. VVPMWC will transfer any and all maps, documents, financial records (including outstanding payables), and customer record to CVWD,
 - g. and VVPMWC will be legally dissolved.

Post-Consolidation Conditions

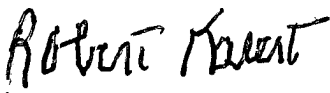
1. After completion of consolidation CVWD will assume full responsibility to maintain the added service area and provide water services to the area as if it had been part of CVWD since inception.
2. Former VVPMWC shareholders will have the same rights and obligations as current customers of CVWD.

Post-Consolidation Costs

1. In recognition of the considerable value of transferred assets from VVPMWC to CVWD and the addition of considerable future monthly revenues to CVWD, without significant additional fixed costs (labor and overhead), CVWD will provide for improvements as they deem necessary which will be paid for from the increased revenues. These costs may include, but are not limited to: upgrading meters to synchronize with the rest of the CVWD's system, conversion and merging of customer records to CVWD's billing software, well rehab to provide for additional water production, infrastructure repairs and improvements, as well as normal day-to-day maintenance and operational costs.

It is anticipated that the benefits of consolidation for CVWD (increased revenues, economies of scale, and operating efficiencies) as well as the benefits of consistency and stability for VVPMWC shareholders, will far out way the efforts and costs required to accomplish the consolidation.

Sincerely,



Robert Kavert
President, Board of Directors
Valley View Park Mutual Water Company