

**Musick Meadows Mutual Water Co. #2
Post Office Box 102
Shaver Lake CA 93664**

July 13, 2020

Dear Musick Meadows Mutual Water Co. #2 Shareholders

We were unable to hold the Stakeholder Annual Meeting this year due to the COVID-19 restrictions on public gathering. In lieu of the meeting the Board has prepared a report that discusses all of the items that were on the agenda for the Shareholder meeting. A copy of that report is attached to this note.

Unfortunately, this only allows for one-way communication. As indicate in the attached report, we would like your feedback and comments. You are encouraged to submit your comments or questions to the address and/or email contained in the attached report.

If there is a matter you wish to discuss in person with the Board, we will be having a Board meeting in October. These meetings are open to Shareholders should they desire to participate. As we approach October, we will be developing a meeting date and place, as well as an agenda. We will keep you informed on this.

Thank you for your understanding during these trying times

Mike Leonardo
MMMWC#2 Board President

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Post Office Box 102
Shaver Lake CA 93664**

**Annual Stakeholder Meeting Agenda & Report
July 4, 2020
9:00 AM
41603 Music Drive – Schroeder Cabin**

ATTENTION

Due to the COVID 19 restrictions please maintain proper social distancing at the annual meeting. While not required you are encouraged to wear a mask. Please bring a lawn chair. If you are unable to attend the meeting to vote in person, please submit your vote by returning the proxy statement provided by July 1, 2020. Please email, mail or call Board Secretary Kimi Raymer at musickmeadows2@gmail.com to update current mailing address, email address, or phone number.

I. Call to Order

This year's Annual Meeting was canceled due to the Governor's reinstatement of COVID restrictions on public gatherings. We sent an email notifying members of the cancellation and posted it on the bulletin board. Unfortunately, we did not have time to contact members without an email address.

While it was not absolutely clear that our meeting met the Governor's criteria, the Board determined that it was not worth risking people's health to hold the annual meeting. Instead we agreed to provide a written report on the items that would have been covered at the meeting. This document is that report to shareholders.

If you have any comments or questions about this report or other MMMWC#2 issues, please send them to the PO Box or email listed above.

- ~~1. Introduction of Board~~
- ~~2. Self Introductions of Shareholders~~
- ~~3. Roll Call~~
- ~~4. Approve 2019 Annual Stakeholder Meeting Minutes~~

5. Status of Water System

Our new remote read water meters have been fully operational since June 2019. We did have some trouble with non-reporting meters after the first snow covered some meter boxes but that issue was resolved and fortunately the meters are able to store data so no data was lost. We have learned a lot. We have found that we don't have many leaks from cabins when residents are not present. Our biggest problem is when someone who is unfamiliar with how to

turn on the water uses the cabin. We have had a couple instances when this happened where a single cabin used over 10,000 gallons in one day. The new system has allowed us to identify these leaks and work with the owners to quickly resolve the problem.

Annually we use about a million gallons of water. Collectively, we use an average of about 120 gallons a day per cabin. Part timers on average use more water on a daily basis than full timers, while full timers use more water on an annual basis than part timers. Attached is an overview of our water system usage over the last year.

We did not experience any water quality issues last year and no major repairs have been necessary. The State is requiring that we properly abandon well 3 which is an old well located just outside the wellhouse. This will likely cost about \$3000. This is necessary work as an improperly abandoned well can be a source of contamination, especially since it is located close to two of our active wells.

The output from our three wells remains very good. Our new well 4 has maintained the production level identified when it was first brought on-line. Wells 1 and 2 have returned to their pre-drought production levels but they will decline significantly over the summer. Conservation is still critical.

The State is requiring that we develop and file with them an "Emergency Chlorination Plan". Our Watermaster has a process he follows if we have a bacteriological hit but the State wants the process documented. We will be developing said plan for transmittal to the State. There may be an added expense to develop this plan if we need to obtain assistance from our Certified Operator.

We would like to remind everyone to properly turn off your water when leaving your cabin, especially if you lend or rent it to someone. Most of the large leaks we identified were due to non-owners not understanding how to properly turn the water on and off. We want to remind everyone that we've installed an easy way to turn off your water at the street. All you have to do is turn the handle a quarter of a turn. We want to remind everyone; lines can break or freeze and water heaters can leak. If you don't turn off your water at the street, those things can happen when you're not there and it could get very expensive.

6. Water Testing

All routine testing is up to date with no exceedances or issues. Our water meets or exceeds all applicable state and federal standards.

Because of some past minor copper exceedances, we are being required to do a series of Water Quality Parameter tests. This testing will determine if our water is aggressive. Water that has a pH below 7 (neutral) can result in minor corrosion of copper, lead, and steel pipes and fittings. Water that contains calcium, magnesium, or other hardness constituents tends to coat these

pipes which inhibits corrosion. Water in the Shaver area tends to be soft (lacking hardness constituents) and slightly below a pH of 7 which can lead to minor corrosion that can be detected during testing for copper and lead. Except for some fittings and valves, our entire water system is plastic. However, many cabins have copper, brass, or steel pipe, fittings and fixtures and these are the likely source of the past copper exceedances.

Our copper hits have been pretty minor and all were before the new well came online. We are hopeful the testing comes out well. If we have to treat the water it will require expensive equipment up front as well the continuous purchasing of buffering agents and regular equipment maintenance. Other subdivisions in Shaver have been tested and were required to install a buffering system.

7. Consumer Confidence Report

The CCR was sent to all shareholders, posted on the Bulletin Board and on the website. There were no issues of concern identified.

We received a report from the state that ranked the drought resiliency of all community water systems in CA. The scale was 0 – 100 with 0 being the best and 100 the worst. We were in the 30s and the best ranked water system in the Shaver area.

8. Water Meter Upgrade, Water Usage Update, Eye On Water App

The meter upgrade and water usage topics were covered under Item 5 above. We want to remind everyone that the Eye On Water app allows you can monitor your own water usage on your PC and/or your phone. The Eye on Water app is easy to install and use, and we encourage all our shareholders to use it. It is especially important that you monitor usage when you loan or rent your cabin to someone who may not be familiar with the proper way to turn your water on and off. You can find the instructions on how to install the app on our website:

www.musickmeadows2.com

9. Tank Inspection Update

As we discussed in last year's 2019 Annual Stakeholders meeting, back on October 2nd 2018, we hired a certified potable tank contractor to perform an internal cleaning and inspection of our 66,000-gallon storage tank.

The results indicated that we have been doing a good job of maintaining the integrity of our tank. However, the internal inspection did show that we needed to plan for the repair of a couple minor corrosion issues.

That work is currently being scheduled for late September this year, by the same contractor, and should be completed in less than a day. It will not be necessary to drain the tank to make these repairs.

10. New Snow Removal Contract

This last winter was the final year of a 4-year contract with Sierra Snow Removal Inc. (SSSI)

In May of this year, we went out to bid with SSSI and two additional snow removal contractors. One eventually declined to participate and the other's proposal was considerably higher in cost.

After our evaluation of the two remaining bids, SSSI was awarded a new 4-year term starting October 1, 2020. Their proposal was essentially the same as the previous contract with the exception of a 3% increase. We determined that was fair and we also felt their performance during the previous 4-year term was very good.

11. Financial Review (Audit)

We are required by the state to conduct a financial review of the district annually. It is not a full audit, which is more expensive, but it is accomplished by an independent CPA. The 2019 review and the three prior years are on the Legal/Financial link on the website referenced above. The review did not identify any issues of concern. If anyone has any questions, please the contact us at musickmeadows2@gmail.com.

12. Financial Status

Last year we operated on a slight surplus.

13. 2020/21 Budget

The Board has adopted a new budget for this FY. There are no major changes from last year.

This is the first time since we completed the water line project that everyone is paid up, we have no outstanding assessments due.

Due to some unexpected high cost items including well 3 abandonment, maintenance on the water storage tank, and additional testing we will dip into reserves for this year's budget. We wanted to avoid an Annual Assessment increase on top of the Capital Replacement Fund increase so we are covering these added expenses from our reserves from prior years. A copy of the Budget is attached to this report.

14. 20/21 Fee Schedule

We also adopted a fee schedule for 20/21. The annual assessment is unchanged from last year but the Capital Equipment Replacement Fund assessment will go up by \$30 as we discussed at last year's meeting. It will continue to increase by that amount for two more years. We have also revised the water loss fee process. A copy of the Fee Schedule is attached to this report.

15. New Website

Our website has been updated and redesigned so shareholders can more easily find information on the water district. It has the budget, consumer confidence reports (past and present), financial reviews, bylaws, Declaration of Restrictions (aka CC&Rs), an explanation of how our system works, and many other items of interest. It also includes a number of links that will be helpful when you are in Shaver or planning to come up. We encourage you to check it out.

16. Adjourn

PLEASE CONSERVE WATER – Owners Are Reminded That MMMWC#2 Does Not Allow Outside Use of Water