ASSESSMENT SUMMARY

OBSERVATIONS
DRINKING WATER SYSTEM: The system operates with one active groundwater well, no conventional treatment plant, aging infrastructure, limited redundancy, and elevated regulatory risk as it transitions under State public water system oversight. Key issues include uncertain source capacity, limited aquifer monitoring capability, deteriorated storage assets, aging galvanized distribution piping, water quality concerns, cross-connection/backflow risk, incomplete permit components, and continued dependence on manual and volunteer-led operations. California Department of Environmental Health (DEH) listed 5 deficiencies in a June 2024 that still need to be addressed by the system: 1. Transfer tank not properly sealed, 2. Concrete tank leaking, 3. No physical inspections of water system or inspections for possible cross-connections occur, 4. Status of RP located at Bailey's Resort connection is unknown, and 5. Improperly designed overflow at steel tank. **WASTEWATER SYSTEM:** Not applicable to this assessment. **MANAGEMENT:** Governance and corporate controls are established through updated bylaws, but implementation capacity remains constrained by limited volunteer time, small-system staffing realities, and the need to formalize roles, procedures, and workload expectations for compliant long-term operations. Several tasks and roles have been found to be unfilled and empty. These items may require volunteer time, hiring out / contracting, or the addition of a part time employee. A list of unfilled tasks and roles can be found in *Appendix Section D*. **FINANCE:** The company maintains positive operating results and approximately $70,000 in cash, but current published charges of $300 annual service plus $300 annual assessment per share are modest relative to the documented capital improvement plan of roughly $281,000 and annual reserve needs in the range of $14,000 to $15,000.

RECOMMENDATIONS

BMWCo should focus first on the actions needed to obtain and maintain its State drinking water permit, then use that compliance foundation to plan capital improvements, funding, and future partnership options.

1. Complete State permitting and compliance requirements

- Finish all outstanding State permit application items.
- Complete TMF documentation and required source water monitoring.
- Resolve State-cited deficiencies, including:
    - Replace or address the 8,000-gallon storage tank.
    - Replace or address the 10,000-gallon transfer/storage tank.
    - Redesign or replace the 25,000-gallon steel tank overflow.
    - Resolve cross-connection concerns with the adjacent resort.
- Adopt and implement a formal Cross Connection Control Plan.

2. Prepare a Preliminary Engineering Report

- Evaluate storage capacity, tank condition, and operational reliability.
- Assess aging galvanized distribution lines and where newer PVC piping should be connected.
- Identify flushing, isolation valve, looping, automation, and control improvements.
- Include permitting needs, CEQA/NEPA considerations, cost estimates, and project sequencing.
- Use the PER to support permit approval, funding applications, capital planning, and rate-setting.

3. Strengthen operations and management

- Define routine operating responsibilities for board members, volunteers, operators, and contractors.
- Formalize key procedures for emergency response, procurement, regulatory communication, inspections, maintenance, and compliance tracking.
- Use monthly work parties to complete documented priority tasks.
- Identify tasks that require contracted support or a part-time role rather than volunteer labor.

4. Modernize records and asset tracking

- Digitize and organize historic records, maps, inspection notes, repairs, and regulatory documents.
- Create a centralized electronic record system.
- Develop a GIS-based asset inventory linked to maintenance history and capital planning.
- Use improved records to support compliance, funding applications, engineering, and board decision-making.

5. Develop a long-term funding strategy

- Complete a formal rate study before voting on long-term rate increases.
- Incorporate the CIP reserve target into the annual budget.
- Address insurance and liability gaps.
- Preserve cash for priority compliance and capital needs.
- Pursue grants, loans, and other external funding to reduce pressure on shareholders.

6. Evaluate regionalization and consolidation options after permit progress

- After making progress toward State permit issuance, evaluate long-term options with Bailey Mountain Resort and Palomar Mountain Mutual.
- Consider shared services, emergency backup supply, consecutive system arrangements, administrative consolidation, or full consolidation.
- Compare costs, governance impacts, infrastructure compatibility, liability, rate effects, and regulatory requirements before making decisions.

Priority sequence

1. Finish State permit requirements and resolve cited deficiencies.
2. Complete the PER and use it to guide capital projects.
3. Strengthen operations, staffing, and records.
4. Complete the rate study and funding strategy.
5. Evaluate regionalization or consolidation from a stronger compliance position.