

MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting On-line Meeting
June 13, 2023 7:00 p.m.
Public Session
910 Fern Avenue, Felton CA

This meeting will be conducted by video/teleconference. Shareholders are welcome to attend all public session meetings via Zoom.

CONVENE MEETING/ROLL CALL: The meeting was called to order at 7:01 p.m. by President P. Gonda. Attending: Directors Baer, Dennis, Gonda, Kelly, Linstrum, Wade, West. Staff: General Manager Cortez. Shareholders: S. Hector, C. Wade.

ADDITIONS/DELETIONS TO AGENDA: A discussion/action item to approve the SBA loan modification resolution was added. The discussion/action item on a draft vegetation management policy was deleted.

SHAREHOLDER/PUBLIC COMMENTS: None.

APPROVAL OF MINUTES:

- Minutes of May 9, 2023 public session meeting: A motion to approve the minutes of the May 9, 2023 public session meeting was seconded. Motion passed by unanimous vote of all Directors who attended that meeting.

COMPANY REPORTS:

- Financial Reports: General Manager Cortez presented the financial report for May, 2023, noting the following: cash on hand at beginning of month, \$957,927.10. Cash on hand at month end, \$923,462.24. YTD income: \$752,045.26. YTD expenses: \$234,159.19. The carryover was \$683,013.82. Net income to date: \$517,886.07. Overages of note include pump repair/replacement due to unexpected failure of motor and pump at well 1A: The yearly budget was \$6,000 but repair/replacement cost was \$8,129.23 resulting in an overage of \$2,129.23. These problems may have been related to power surge/lightning strikes. Vehicle repair is also over budget YTD [\$1,850.90] although not yet over annual budget. This cost was for tire, brakes and calipers. Regarding the pump repair/replacement costs, Dir. Kelly asked if we should look at capital improvements to see if there is a plan to replace them in the near future. Cortez she would be sure to note when they were replaced. A motion to approve the May, 2023 financial report was seconded. The motion passed by unanimous vote.
- Operations Report: Cortez provided the May, 2023 operations report. System production for all wells was 965,492 gal, compared to last month's 810,027. Quarry wells for May was 156,000 gal. There was one system leak at 5243 Hwy. 9. There were 2 customer leaks and 7 excessive users, two of whom had the leaks. There were no system call outs. The loss rate was 11.6%. Cortez answered a question about the operations report going to shareholders: She noted that it is summarized in the approved minutes, which go to shareholders. She noted that more water was used in May than April.

ADVISORY COMMITTEE REPORTS:

- Water Conservation and Water Committee: No report.
- Recreation Committee: The BBQ planned to celebrate the lake opening was postponed due to weather. Now set for 6/17; there will be a potluck, with burgers and hotdogs provided.
- HR Committee: Report in Executive Session.
- Road and Safety Committee:
Dir. Kelly reported that the committee paid a site visit to the area around "No Name Road," Toll House Road and the area on Scenic that goes in and out of FLMWC property. Potholes and significant roadway subsidence were noted. [See Discussion/Action item 1, below]. The committee also looked at road edge degradation on Scenic in an area that drains toward Redwood via a steep slope down to several homes. There was discussion of possibly regrading that area so it doesn't pool, and to let the water run off into the creek. Construction of a swale was also mentioned. There was a suggestion to address the situation before it gets worse, if the repair would not be too expensive.
- Rules Committee: No report.
- Finance Committee: No report.
- Strategic Planning Committee: A meeting will be scheduled after committee assignments.

- Community Fire Prevention Committee: Dir. Wade attended a Statewide Zoom meeting. There are State and County-wide FireSafe committees, and there is an effort to have a paid coordinator in each county. CalFire has grant money to divide between counties.

NEW BUSINESS:

1. **Discussion/Action item:** Review and approval of Valley Paving & Tractor Service estimates for Toll House edge and culvert replacement and 770 Toll House repair of failed asphalt: The bids of Valley Paving for repairs on Toll House were discussed. Cortez noted that estimates to repair "No Name Road" have been taken off as it is not essential. Toll House, however, is essential. Even if Scenic is open, there are residents on Toll House who need that road to get to Scenic. The Road Committee looked at the sites and agreed that they need to be repaired. Cortez described a crushed culvert and road edge deterioration; one segment of the road is not passable for small cars, and the damaged area is too broad to go around. The bid describes the scope of the project. At 770 Toll House, the road has deteriorated further since first evaluated. The Committee also looked at 600 Toll House which is where FLMWC service begins. Cortez will ask if Valley Paving can do needed repair there while doing the other sites on Toll House. She noted that Valley Paving is honoring its bid from January. Regarding cost: These projects were not budgeted. However, Cortez reviewed the budget as a whole. Payroll is under budget YTD; employee health care insurance is under budget because FLMWC is not fully staffed; insurance costs are under budget because excess liability coverage was not available. The recently purchased T-bills will provide additional revenue. Taking all that into account, Cortez recommended approval of the repairs. Dir. Linstrum asked if taking this approach sets the company up for being understaffed for the rest of the year. Cortez said the underage is just for the first few months of the year and will not require continued understaffing. Dir. Kelly noted that last year in drafting the budget, we did not go for budget neutral because we anticipated being under on payroll. However, this could spend down the shortfall on staffing. Cortez noted that we will end up with an additional \$200,000 loan since SBA paid what we spent for Scenic. We had no knowledge at that time that the loan would be modified and increased. The additional funds can replenish reserves that were depleted to complete the Scenic repair. A motion to approve the 3 Valley Paving bids, for a total of \$25,325, was seconded and passed by unanimous vote.
2. **Discussion/Action item:** Update to Water Conservation Stages: Cortez said new conservation stages were approved by the Board in May, 2022. We now have Board-approved policies on both water conservation stages and excessive use, the latter being approved in May, 2023. The Board now needs to decide what stage we are in now. The criteria for deciding stages were reviewed. With respect to the criteria, it was noted that our wells are in very good condition and relatively stable. In fact, they are performing better than before the drought. The Water Operations manager sees no reason to change the stage. The Board now needs to decide if we should change to Stage I [250 gpd, target 200 gp] or stay in Stage II [200 gpd, target 175 gpd]. Cortez recommends staying with the 200-250 level. In reply to a question, Cortez clarified that the criteria that guide decisions are not imposed by the State, but are FLMWC's. There was concern that changing the names of the stages might cause confusion; to address this, Cortez will send an email with explanation along with the newly-approved policy. A motion to approve Stage I Conservation limits as previously authorized by the Board of Directors in the May, 2022 Board Meeting was seconded. The motion passed by unanimous vote.
3. **Discussion/Action item:** Approval of SBA Loan Modification Resolution as written by SBA: The original SBA loan of \$479,000 has been modified and increased to \$746,800 to cover all construction costs for the Scenic slide repairs. This modification requires Board approval of the Modification Resolution. Asked if she recommends such action, and Cortez said yes. The loan is for 40 years at 2.5%. The actual balance will not be \$746,800 as we have already repaid \$40,000 of the original loan amount. We've already spent at least 80% of the total. A motion to approve the SBA Loan Modification Resolution as written by the SBA was seconded; motion carried by unanimous vote.
4. **Discussion/Action item:** Board Committee Assignments: Each year committee assignments are revisited. This year there are two new Board members to add. The need to keep committee membership to under 3 directors per committee to avoid a quorum was referenced. Current committee membership was reviewed, and Board members were asked about their preferences. After discussion, the following committee membership modifications were made: Dir. Kelly to join the Water Committee; Dir. Linstrum to join Road and Safety and Hazardous Trees/Fire Prevention Committees. Dir. West to step down from Road and Safety, and to continue on the HR and Finance committees. Dir. Baer to join Rules and Strategic Planning. A complete list of committee assignments will be mailed to Board members and also posted to the website.

PUBLIC MEETING ADJOURNMENT TO CLOSED: The public meeting was adjourned at 8:07 p.m.

RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING: The meeting was reconvened at 8:34 pm to report that there were no actions taken in the Executive Session.

MEETING ADJOURNED: The meeting was adjourned at 8:35 p.m.

Pete Gonda, President

Louise West, Secretary