

**MINUTES**  
**Forest Lakes Mutual Water Company**  
**Board of Directors Meeting On-line Meeting**  
**April 11, 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 Pete Gonda. Directors present: Dennis, Gonda, Kelly, Maskolunas, Wade, West. Staff: General Manager D. Cortez. Shareholders attending the Zoom meeting: S. Hector, L. Dargis, R. Gertzfield, N. Elias, D. Patillo, C. Wade.

**ADDITIONS/DELETIONS TO AGENDA :** Pres. Gonda added an item regarding the establishment of a meeting and agenda planning process.

Dir. Maskolunas said that on behalf of the shareholders, the shareholders are requesting a 3<sup>rd</sup> party audit of Forest Lakes Water Company. Pres. Gonda asked if she could be more specific. Maskolunas replied that "we would like clarification and transparency of if and when there has been an audit, and would like a third party updated audit to be done." Gonda asked for further clarification: Would the audit be financial or operational? Maskolunas said financial. Pres. Gonda then restated the amended agenda item as follows: On behalf of shareholders, to request that a third party audit be conducted on company finances.

Dir. Maskolunas said she would like to add another item, a request to look into hiring a professional HR Consultant. After brief clarification, this item was added to the closed session agenda.

**SHAREHOLDER/PUBLIC COMMENTS:**

- The following Shareholders offered comments, as follows:
  - N. Elias introduced himself and expressed interest in learning about the board's work.
  - D. Patillo noted that there is degrading plastic on an embankment on Ferrari that needs attention. Regarding vegetation management, he stated his support for providing shareholders with resources and information about County code requirements, and agreed that we need to be more aggressive about reducing fire hazards.
  - L. Dargis asked about the sandbags on Lakeview. Cortez replied that the County has sent out engineers, who took core samples as a preliminary for engineering plans to repair and possibly widen the road. She will ask the County workers currently working on Lakeview if they can place reflective signs at that area. Dir. Kelly said he also will take a look at that.
- Forest Lakes Firewise & Safety Association Update: Dir. Maskolunas said FLFSA might have been approved for a grant from CalFire, although not as much as requested. Still awaiting final answers, and looking to find more grant opportunities.

**APPROVAL OF MINUTES:**

- Minutes of March 14, 2023 public session meeting: A motion to approve the minutes of the March 14 meeting was seconded. The motion passed by unanimous vote.

**COMPANY REPORTS:**

- Financial Reports: General Manager Cortez presented the March financial report, as follows: Cash on hand on 2/28/23, \$951,709.18. Cash on hand on 3/31/23, \$962,932.50. Revenue through March 31: \$675,035.66; expenses through March 31, \$123,875.69. Net income through March 31: \$551,159.97. There was an overage to the vehicle repair account; this was shown on the Financial Summary. The overage was due to the need to replace tires on one of the company trucks.  
SBA loan: Cortez stated that the representative for the SBA loan called on 3/31 to apologize for not having reviewed our request for additional funding, and asked that she contact him in two weeks if she does not hear from him before that time.  
Cortez noted that the cash on hand numbers will change slightly because of the intersection of the statement dates and her vacation.

Dir. Maskolunas asked what was the final cost to remove the hazardous tree on Scenic. Cortez explained changes in the original project, and that the "Not to Exceed" amount was less than the original estimate. The total cost was \$7500, which was the NTE amount.

Maskolunas also asked where shareholders can see what our catastrophic fund amount is, in order to have the security check of knowing how much we are saving toward that fund. Cortez replied that it is on the financial statement, and on the website, where all reserves are shown. Maskolunas asked if the Board can spend those funds for whatever the Board chooses. Cortez replied that the fund is designated for capital improvements OR catastrophic infrastructure loss. In any given instance, the Board can approve changing how to use reserves, but that particular fund was designated specifically for capital improvements or catastrophic infrastructure loss.

Maskolunas asked, Would there be any way to make it so that it could be spent *only* for catastrophic loss? Pres. Gonda noted that the agenda item being discussed was the March Financial Report and that item was the order of business.

A motion to approve the March financial report was seconded. Motion passed by unanimous vote.

- Operations Report: Cortez reported the following: Production, 927,288 gallons; Quarry, 249,100 gals. Staff worked on clearing culverts and filling potholes. Loss rate spreadsheet has not yet been prepared. County repairs at 621 Lakeview are ongoing. Cortez met with the engineer regarding placement of the Scenic tanks, valves, and Scada to bring Ferrari water into the central system. They looked at the designated site for the booster system. Engineering submitted proposals which are being reviewed and researched prior to approval. Dynamic well readings were taken [a new requirement by SWRCB] and diagnostics performed at well 10D and the Scenic treatment plan. She met with Mountain Propane to diagnose an error code on the central system generator. Cortez explained about the SWRCB requirements for both static and dynamic well readings. The reports indicate to the State that our wells are stable. Even during the drought, the static readings have been stable. Dir. Kelly asked about risks to the company, should one of our wells have declining production. Cortez said that we have just been issued a permit stating that we have adequate capacity to provide water to our shareholders.

#### ADVISORY COMMITTEE REPORTS:

- Water Conservation and Water Committee: No update.
- Recreation Committee: Excellent turnout for the Easter Egg Hunt event. There has been interest in starting a Pickleball league.
- HR Committee: No update.
- Road & Safety Committee: No update.
- Rules Committee: No update.
- Finance Committee: See agenda item.
- Strategic Planning Committee: No update
- Community Fire Prevention Committee: RCD is running its annual chipping program; there were many requirements and it was not possible to meet the application deadline. Dir. Wade stated that he hopes FLMWC can put together the right program for next year. Dir. Maskolunas asked if clearing all the facilities before June can be calendared: to have the fuel around each tank and equipment cleared for a radius of 10'. This was something the committee discussed previously but is not an update this month.

#### NEW BUSINESS:

1. **Discussion/Action item:** Reporting of investment of funds: General Manager Cortez reported the following: As outlined in the Board approved investment policy, the G.M. is authorized to make investments on the Company's behalf to increase yields. Investment types are explained in the policy. In compliance with Section 5 item B, her recommendation to invest funds in short-term Treasury Bills was made to the Finance Committee as outlined in the policy. The investments were made, and successful transactions were reported. In accordance with Section 5 B Item 1, both the President and the Treasurer approved the transactions. In compliance with Section 5B Item 2, these investments are being reported to the Board at the regularly scheduled meeting following investment.

The idle funds invested are State-required reserves which are not meant to be spent, and Capacity reserves which are being built over time to increase water production [such as building a well]. The funds [\$225,800] were invested in 52-week bills, with an auction date of 3/21/23 and an issue date of 3/23/23, at a cost of \$215,77724 and interest rate of 4.39% yielding interest of \$10,022.76. This rate is higher than any other safe investments available.

She also invested additional funds that will be needed for approved capital improvement projects later in the year. These funds were invested in 13-week bills: \$200,000 invested, auction date 4/3/23, issue date 4/6/23, at a cost of \$197,583.44, 4.78% APY, and interest of \$2416.56.

In the current financial statement the operations and management reserve is shown in the Ending Cash on Hand, followed by the March Treasury Bill investment. This was left so that the Board can see the amount that represents the reserve account. The name on the Money Market Account will be changed as it no longer holds these reserves but is a secondary money market account. In the coming months, FLMWC will be looking to diversify funds into an additional banking institution. At that time, this Money Market Account will be closed. Upon maturity in March of 2024, the reserves in the Treasury Bills will either be reinvested or will be placed in designated reserve bank accounts.

Pres. Gonda thanked Cortez for her work, noting that the investments are part of the Strategic Plan which directs using reserves to generate revenue with idle funds.

2. **Discussion/Action item:** Estimate for berm/water bar for water control on Laurel Ave.: Cortez pointed to the estimate [included in the Board packet] from Valley Paving to prepare for and install a water bar across the road. The purpose of the proposed project is to direct

water into the existing drainage ditch and to assure that water does not travel beneath a Laurel shareholder's home when there is extremely heavy rainfall and the grate on Lakeside becomes blocked. She noted that the bid price is based on doing this project while Valley Paving is on-site with other projects, including the approved projects on Willow Way and Redwood. The price represents a cost savings based on the number of move-ins and amount of work contracted.

Director Kelly asked how long the quote is good. Cortez: Until Redwood is patched. Kelly: Should the Road Committee do a visual inspection: Cortez: Suggests conditional approval based on the Road Committee's inspection and findings. Maskolunas asked about approving the cost for Redwood. Cortez answered that that was already done.

A motion to approve the Valley Paving bid for the berm on Laurel was approved conditionally, contingent on Road Committee inspection of the site and its findings. The motion carried by unanimous vote.

- 3. Discussion/Action item:** Non-shareholder road conditions/solutions: Cortez explained that there are two kinds of situation involving roads and non-shareholders. One situation involves residents on Glengarry and Tollhouse, where there is a section of road that is outside FLMWC'S service area tract. Residents on those roads have historically raised funds when road repairs were needed. In the past, FLMWC contributed on an explicitly stated one-time basis. The other situation involves the end of Laurel and the end of Fern, where residents have no water served by FLMWC and where there is one section that the owner regards as a private drive.

In the case of the Glengarry/Tollhouse residents, during the time Scenic was closed after the slide, FLMWC staff [as well as non-FLMWC service providers] accessed shareholder properties via non-FLMWC roads. In the situation of the residents on the parts of Fern and Laurel that receive no water from us, those residents use our roads to get to their property but pay nothing toward our road maintenance.

There was discussion, including a comment that roads are becoming an increasing part of the budget. It was noted that FLMWC residents have an interest in maintaining Glengarry as one of our essential ingress/egress routes. Now that part of the Glengarry/Tollhouse road has failed, expensive repairs will be needed and residents hope to engage FLMWC in the long-term process of coordinating repairs within and outside of the Forest Lakes service boundary that borders this location.

Cortez provided information that there are approximately 20 homes in the community that are not shareholders as they do not receive water service. It would be helpful to explore ways to encourage their participation in road maintenance. It was noted that non-shareholders have the benefit of access via our roads, but do not contribute to maintenance. It was recognized that this is a complicated issue requiring careful study. It was also noted that traffic on Scenic has greatly increased now that residents are not using Glengarry, and the road is showing commensurate deterioration.

Pres. Gonda noted that the item was placed on the agenda not to arrive at a policy decision but to start discussion and to make everyone aware of the kinds of things that have to be considered, and referred the matter to the Road and Safety Committee for study.

- 4. Discussion/Action item:** Vegetation management policy: President Gonda shared documents summarizing County Code, State Law and Civil Code, and our own regulations. He referenced previous Board discussions about shareholder liability, and the need to establish "proof of hazard." [Note: Dir. Maskolunas lost internet connection at approximately this point in the meeting.] Dir. Gonda mentioned the possibility of revenue if FLMWC were sufficiently resourced for employees to do some things with shareholder request and permission, for a fee. That would require a policy providing for indemnification with terms and conditions of the agreement.

Questions and comments were entertained, including risk and liability. It was suggested that instead of staff doing the work, shareholders could be directed to appropriate resources that we could recommend. The backlog of work to be done on roads and facilities, with our limited staff, is also a major consideration. With this in mind, Dir. Gonda suggested removing the revenue-generating language out of the draft, and with agreement from all this was done.

A comment from last month was that creating shareholder liability is one thing but providing "proof of hazard" is another, and how the Company could enforce policy. Hazardous trees might require an evaluation by an arborist, but overgrown brush is also a hazard. Perhaps one of the Fire Departments could assist with this. CalFire used to do this, but since FLMWC has done well in reducing risk, they may not come here this year. Also, Captain Dawson at FFD has literature about clearance requirements.

Dir. Gonda will also meet with Cortez regarding easements. Dir. Kelly asked if we have any right to enter, if it was felt that the hazard was so great that mitigation action was needed. This is not addressed in the draft.

Public comments included a question about how enforcement is conducted in the County. Dir. Dennis said that would be CalFire, along with the FFD. There has been an occasion where there has been great concern about a property, resulting in a letter to the owner, sometimes mentioning their insurance.

There being no further comments/input, the discussion was closed.

- 5. Discussion/Action item:** Excessive Water Use Policy: Deferred to May meeting.
- 6. Discussion/Action item:** Director Maskolunas was not present to discuss her request for a third party audit of FLMWC finances, having lost internet connection at approximately 8:02 p.m., and did not rejoin for the remainder of the public session.

7. **Discussion/Action item:** Meeting planning and agenda preparation process: Dir. Gonda described meeting with the General Manager to develop a more consistent way to plan meetings and develop the agenda. He will meet with the General Manager two weeks before each scheduled Board meeting to plan and set a full agenda. Requests to place an item on the agenda should be made directly to the President and the G.M. ahead of their meeting. This will assist with planning efficient meetings and keeping Board meetings to a reasonable length. If agenda items come in after the planning meeting date, they will be considered, but inclusion is not guaranteed. If an item is not submitted prior to the time to post the meeting agenda, there will always be the opportunity to add something even after the agenda is posted; things come up and the opportunity will always be there. The goal is to manage the process, have agenda items clearly stated, and to assure that we are in compliance with requirements.

**PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION:** The Public meeting was adjourned to Closed Session at 8:55 p.m.

**RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING:** The Executive Session was reconvened to Open Session at 10:28 p.m., to report the following: The board made a decision on review of an unpaid balance associated with an excessive use appeal.

**ADJOURNMENT:** The meeting was adjourned at 10:20 p.m.

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Pete Gonda, President

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Louise West, Secretary