

MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting On-line Meeting
December 12, 2023 - 7:00 p.m.
Public Session
910 Fern Avenue, Felton CA

This meeting was 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 by Pres. Gonda at 7:03 p.m. Attending: Directors Baer, Dennis, Gonda, Linstrum, Wade, West. Staff: General Manager Cortez. Shareholders: S. Hector, C. Barauskas. Absent with notice: Dir. Kelly, to join later if possible.

ADDITIONS/DELETIONS TO AGENDA: None.

SHAREHOLDER/PUBLIC COMMENTS:

- A shareholder reported “problems with people presenting themselves as water workers.” The shareholder would like to know who Forest Lakes employees are. Cortez named FLMWC employees, and also clarified that recently a surveyor was on site regarding a water valve. Cortez noted that FLMWC field staff use company trucks marked with the company logo.
- A shareholder asked if there is any way to make internet service available to those without it, so that she would not have to drive to town to access WiFi. Cortez said she would check to see if there is any way a pass code could be granted for one-time use.
- Forest Lakes Firewise and Safety Association Update: None, as no liaison from Firewise was present.

APPROVAL OF MINUTES:

A motion to approve the minutes of the November 14, 2023 public session meeting was seconded and passed with unanimous approval.

COMPANY REPORTS:

•**Financial Reports:** Cortez presented the November, 2023 financial summary noting the following: Cash on hand at start of month, \$1,068,337.62; end of month, \$921,826.38. Income YTD: \$907,434.34; expenses YTD, \$667,674.62 for a carryover of \$249,498.52. Net income to date: \$239,759.82. There was a new overage in excess of \$250 caused by increase in the chlorine case price from \$68.99 in January, to \$82.99 in March. In accordance with our investment policy, on November 16, 2023 \$250,000.00 was invested in a 4 week treasury bill with a return of 5.28%.

A motion to approve the November, 2023 financial summary was seconded. The motion passed unanimously.

•**Operations Report:** Cortez reported that production was 902,003 gals.; Granite Quarry, 311,700 gals. There was one system leak and no customer leaks. The loss rate was 13.8%; Well 4 was pumped to waste following requirements prior to bringing it back on line. Wells 3a/3b repeated backwashes over a 3-day period, and there was a system leak at 159 Madrona. Staff replaced aged meters nearing the end of their lifespan. Staff repaired the leak on Madrona. Staff trouble-shot an issue at the 3a/3b filter plant and performed backwashes. Met with electrician regarding a plug at 3. The Ferrari culvert area was winterized. Maintenance of fire radius was performed. An area on Nugget was patched with hot mix. Cortez contacted the County of Santa Cruz regarding concerns about drainage on Lakeview and standing water damaging the roadway. Photographs were submitted per County request. Cla-valve work was completed at Well 4. Culverts were checked in preparation for rain. Met with RCD and Waterways to review water pooling problems on Quarry Road and receive instruction for installing trash racks. Trash racks installed. The shop area was cleaned and dump runs made in preparation for winter. Staff cut up and disposed of old pipe no longer in compliance with AWWA standards.

ADVISORY COMMITTEE REPORTS:

- Water Conservation and Water Committee: No report.
- Recreation Committee: No report.
- HR Committee: No report.
- Road & Safety Committee: No report.
- Rules Committee: See under New Business, item 2.
- Finance Committee: No report.

- Strategic Planning Committee: No report.
- Community Fire Prevention Committee: No report.

NEW BUSINESS:

1. Discussion/Action item: 2024 Budget approval: Pres. Gonda recapped previous presentations addressing the structural budget deficit. He noted that a 5% assessment increase year-on-year is needed to address the deficit and continue to move toward the goal of bringing wages closer to market. He noted that both Zoom and in-person office sessions were offered to shareholders to provide detailed information about the proposed budget. Cortez stated that she had made one change to the proposed budget to reflect that one parcel was converted to “unimproved” as the house [on which a large tree fell in the winter storms] is still uninhabitable. Gonda noted the projected deficit of \$57,000, but if savings are achieved, we could end up being able to add to reserves. There was discussion about anticipated PG&E rate increases, and whether the budget should reflect those. Cortez recommended a “wait and see” approach, with budget adjustments in the future as needed. The line item for “employee recognition” was reviewed and discussed; increasing that amount was recommended.

After discussion, a motion to adopt the 2024 budget, with the recommended \$250 addition to line item 884 Employee Recognition bringing that item to \$750, was seconded. The motion passed with unanimous approval.

2. Discussion/Update: Rules Committee review and recommendation By Law 1, Section 7: Dir. Baer reported that the Rules Committee met as tasked to review By Law 1, Section 7 in reference to shareholder question. The Committee found that per the By Laws, all shareholders share the cost of maintaining roads in Forest Lakes. The infrastructure that delivers water to the homes in Forest Lakes runs under the roads. Road repair and maintenance are essential to maintaining the water infrastructure. FLMWC employees use the roads to maintain the water infrastructure for regular maintenance and repair.

3. Discussion/Update: Board question regarding wells pumping from Granite quarry: In follow-up to a question brought up in November, Cortez stated that we are getting what we can from Quarry, although never the maximum allowable amount. The system is complex and it may be neither possible nor cost-effective to attempt to increase the amount now drawn. Dir. Wade said it seems we may be getting what is feasible, but perhaps there is an opportunity to maximize use of the Quarry water. Decided: Refer the matter to the Water Committee for follow-up.

4. Discussion/Update: Potential Endowment Fund for Park/Facility Improvement Funding: Use of company funds for park improvements has been called into question in the past. With this in mind, it was suggested that an endowment fund might be created to allow shareholders to contribute to park improvement projects. An *ad hoc* committee could be formed look into creating an endowment fund for park and facility improvements. Dir. Gonda said he will draft a policy for Board consideration.

PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION: The meeting was adjourned at 7:43 p.m.

RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING: The open session meeting was reconvened at 8:37 p.m., to report that action was taken regarding the agenda item concerning employee holiday gifts.

MEETING ADJOURNED: The meeting was adjourned at 8:28 p.m.

Pete Gonda, President

Louise West, Secretary