

MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting On-line Meeting
October 10, 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 at 7:00 p.m. by President P. Gonda. Attending: Directors Dennis, Gonda, Kelly, Linstrum, Wade, West. Joining slightly late: Dir. Kelly. Staff: General Manager Cortez. Shareholders: S. Hector, C. Maskolunas, C. Linnenbach, S. Greco.

ADDITIONS/DELETIONS TO AGENDA: Limbing or removal of the oak tree in the park.

SHAREHOLDER/PUBLIC COMMENTS:

- Shareholder Linnenbach asked if there are any rules or guidelines about building a fire-safe house, and if she could contribute to an endowment for purchase of tank insurance. She asked what is being done to maintain clearance around tanks, and if shareholders who sell are obliged to disclose that infrastructure is not insured. Pres. Gonda said that the issue of insurance has been covered extensively in Board meetings and has been documented in multiple sets of minutes. He indicated that our infrastructure is not just the tanks, and that our water infrastructure is uninsurable. There are options that we have to self-fund for replacement and we've made budgetary decisions around that, and that material is posted. He referred her to the FLMWC website for information about defensible space and home hardening. Cortez noted that FLMWC staff maintains clearance around tanks to the extent possible. Regarding seller disclosure, Gonda said that disclosing that we don't have insurance on infrastructure has already been disclosed, and added that our infrastructure is company-owned and does not cross the property line unless it is something that is on the owner's parcel. He added that this is a question that would take looking into.
- Forest Lakes Firewise and Safety Association Update: Shareholder and FLFSA liaison S. Greco stated that he had met with the Road and Safety Committee to establish closer communication. FLFSA has found that the \$100,000 grant will not go as far as they would like, and since the first grant application was successful, hope to attain future funding. FLFSA hopes to apply for a federal grant. With respect to the present grant, the focus will be on lower Forest Lakes; FLFSA is working with FLMWC on that now. FLFSA is also working on its website and will update the evacuation route map. The challenge now is that FLFSA is short of its goals for tallying hours and dollars. It would like to work with FLMWC to get a conservative estimate of work that FLMWC staff has performed. Cortez said that staff keeps a list, and she can provide FLFSA with an update. Pres. Gonda congratulated FLFSA for its success in achieving the grant.

APPROVAL OF MINUTES:

- Minutes of September 12, 2023 public session meeting: A motion to approve the minutes of the September 12, 2023 public session as corrected was seconded. Motion passed.

COMPANY REPORTS:

- Financial Report: General Manager Cortez presented the Financial Report for September, 2023 as follows: Cash on hand beginning of month, \$1,095,614.50; end of month, \$1,089,455.83. YTD income: \$870,469.80. YTD expenses: \$459,788.35. Net income to date: \$410,681.45. There were no additions to the overages shown at the bottom of the summary page.
Cortez reported that as treasury bills mature and as funds allow, she is reinvesting in short term treasury bills to gain the greatest return while not risking having funds unavailable should they be needed. As per the investment policy, the finance committee was notified of the following investments made in September: On 9/12/23, \$100,000 was invested in a 4-week T-bill yielding 5.28%; also on 9/12/23, \$100,000 in an 8-week T-bill yielding 5.29%; and on 9/26/23, \$125,000 in a 4-week T-bill at 5/28%. The matured investments and increases in interest rates have, thus far, resulted in \$10,692.22 in unbudgeted revenue.
A motion to approve the September, 2023 Financial Report was seconded. Motion passed with unanimous approval.

- Operations Report:** Per Cortez, September production was 1,012,291 gallons, down from 1,155,782 in August. There were 6 excessive users, 2 of whom had leaks. There was a small system leak at the booster and one at 1801 Upper Scenic. The loss rate was 8.5%. Average use was 88 gpd.

Staff patched Madrona; repaired the leak at the tank 6 booster pump; cleared the area for the shop pad; dug footing for the pad and started forms for the foundation of the new shop building. Cold mix was used to fill potholes on Fern, Lakeside and Ferrari. Hot mix was applied to a large sunken area on Scenic between 1260 and 1330 Scenic. Staff met with the contractor regarding installation of a new water line on Quarry Rd and worked through plans to meet AWWA standards for water line installations. Staff repaired a water main on Scenic that a landscaper hit with a post hole digger, requiring boil water notices and subsequent testing.

Paving repairs for Redwood Road are now scheduled for October 23-26.

The Quarry Road project has been behind schedule and problematic for engineering, but is expected to be completed and paved by the end of October. The water main installation began on 10/10/23 and hopefully will be completed, including required testing, by 10/13/23.

ADVISORY COMMITTEE REPORTS:

- **Water Conservation and Water Committee:** No report.
- **Recreation Committee:** Dir. Wade reported that a Halloween event is set for Saturday, 10/21/23. There will be "Pie in the Park" on 11/18/23 from 2-4 pm, weather permitting, possibly to include a Craft Faire.
- **HR Committee:** No report.
- **Road & Safety Committee:** No report.
- **Rules Committee:** No report.
- **Finance Committee:** Report will be part of the budget discussion.
- **Strategic Planning Committee:** No report.
- **Community Fire Prevention Committee:** Dir. Wade reported that the committee met and had a good discussion about coordinating with FLMWC field staff, communicating with FLMWC, and data gathering. He indicated that the grant to FLFSA is focused on emergency ingress/egress; documenting work with before-and-after photos will be important. FLFSA's worksheet for documenting work is on the FLFSA website.

NEW BUSINESS:

- 1. Discussion/Action item:** Limbing or removing the oak tree in the park: Cortez explained the problems with the tree. One branch definitely needs to be removed, but the status of the tree itself is questionable. There was discussion about risk, liability, cost, and how to replace the shade the tree provides. After discussion, there was agreement that the tree should be removed out of concern for liability. An email will go out to shareholders to explain the need and invite input about planting a new tree or trees, and the creation of a shade structure. No board approval is required for this expense, which was estimated at \$900 to remove the tree and grind the stump.
- 2. Discussion/Update:** Engineering proposal for Ferrari Zone control valve: Cortez noted that this project has been on FLMWC's capital improvement plan since 2013. The initial project was to install the iron and manganese treatment plant for the Ferrari wells. The plant became operational in 2020. This project is designed to allow for a valve or valves to be installed that will operate remotely to bring water from the Ferrari wells, which currently serve only 5 connections in the central system. Due to the elevation, it is hoped that water can be directed either to tank 6 on Early or tank 4 on William Way, depending on where there is need. The engineering proposal is for surveying, zone control valve design and control valve operations for this project. There is no indication at this time that any of the services listed as "not included" would be required. That could change should the current system map be found to have errors within the project area.

Engineering budget for services is \$8,400.00. C2G needs to modify the wording in the cost of services section of the proposal to match the description of the assignment and re-date and sign the proposal prior to FLMWC signing the agreement. Cortez has confirmed that the price remains the same. Cortez recommended approval of this estimate with the required changes to move forward with a project that was planned and budgeted to increase redundancy within the system and to better manage existing resources.

A motion to approve the proposal, in the amount of \$8400.00, with the specified modifications as recommended by the General Manager was seconded. The motion carried with unanimous approval.

- 3. Discussion/Update:** Scenic Tank Replacement: Cortez reported that the Water Committee met at the direction of the Board to discuss the types of tanks available, their permitting requirements, and the limiting factors at the Scenic location. Currently there are two (2) 20,000 gallon welded steel tanks on hexagonal concrete pads 15' in diameter. The location is gravity fed, with existing pumps only in the wells themselves. Two wells serve this area: Wells 1A and 1D. Well 1D is designated as under the influence of surface water and is not currently in use. The tanks serve 33 properties on Upper Scenic, View, Tollhouse, and a limited number on Scenic and 811 Redwood road. Storage is of great importance as this is currently an isolated system with no tie-in to the central system. While the capital improvement plan does include the installation of a booster pump system to boost water to this system, that will not be complete for at least another year or longer. The existing tanks will not last for that duration.

The engineering estimate was based on one 40,000 gallon tank, recommended by C2G. The estimate for engineering was for \$32,600. The tank estimate provided for the tank including structural calculation and pad was \$182,000.00.

FLMWC looked at the following types and prices for tanks:

National Storage: "budgetary estimate" of \$45,000 for a welded steel tank for potable water. This probably did not include freight or any type of structural calculations and was based on using existing concrete pad.

CST: Price for one 22,419-gal bolted tank: \$76,687 including installation but not pad. Unclear from estimate if structural calculations for the necessary pad were included.

Loomis: Two (2) 19,184 gal galvanized corrugate steel tanks with NSF 61 certified PVC liner: \$92,499.00. Tanks to be built concurrently; additional \$6,246.00 for CA wet stamped engineering packet and 20 yr warranty. Structural calculations for concrete pad not included.

Loomis: Two (2) 14,388 gal tanks of the same construction: \$82,728.00 with the same \$6246.00 for CA wet stamped engineering packet and 20 yr warranty, structural calculations for the concrete pad not included. Concrete pad construction is not included.

Current pad sizes are not sufficient for any of these options.

The final option discussed was to replace the two 20,000 gal tanks with a series of 5,000 gal poly tanks which could be placed on concrete foundations or a level rock base. They would not have to be permitted. This option would require engineering of the placement of pads and tanks and how they could be aligned to assure that each would remain full as they are filled, and remain full, due to their elevation and gravity. To maintain sufficient capacity a minimum of 6 tanks [30,000 gals] would be necessary.

8.5', 9', or 10' diameter poly tanks from Mountain Feed would be the most cost-efficient at \$4200-6000 each, plus tax, with free delivery. 10x10 are the least expensive because more can fit on a semi/trailer, but these could also limit the number that could be put in service due to their diameter. (The two poly tanks purchased in the last few years are 8.5'.)

When we first started removing and replacing tanks, a quote was requested for all tanks that we would need replacement in the next few years. At that time, the cost to remove the two tanks was \$16,000.00. An environmental report would have to be completed prior to removal; this could cost \$2,000-5000.00. Removal plus environmental report plus \$32,600 for engineering would come to ~\$54,2000.00. County permitting costs are unknown.

Tanks ranging from \$82,728 - \$182,000: None of these include the costs of piping, installation, and connection of piping to our existing system. All of these options require permitting with the County of Santa Cruz as well as operational approval by the State Water Resources Control Board.

The poly tank option would cost between \$27,531 and \$39,220 for 30,000 gals capacity. Permitting would not be required.

In order to proceed with an accurate engineering proposal, a decision is needed regarding the size and material FLMWC would like to pursue, OR we would need to engage a consultant or engineer to evaluate each option and its viability and cost, given the location, and provide FLMWC with a report and recommendations prior to proceeding. One of the Scenic tanks could fail in a short period of time, so any decision needs to take into account the time it will take to actual replacement.

A minimum of 30,000 gals is needed at Scenic, which is the highest point in the system, to assure there is enough storage there. Water loss there would be greater than anywhere else, because of the pressure.

There was discussion of the above information provided by Cortez. It was noted that a sudden failure of one of the Scenic tanks could result in property damage below. A slow leak could impact the foundation.

The committee did not talk about a “bridge” solution. In discussion, one idea mentioned was that if catastrophic failure is imminent, should the tanks be drained now and a “bridge” solution implemented? Cortez replied that the tanks are checked every day and are watched carefully. That said, the sooner they are replaced, the better.

There was a question about how an expense of possibly \$182,000 would be paid. Cortez said that such expense would be over budget; there is some carryover, plus some money budgeted in 2024 could be combined. She was asked if the top option [i.e. most expensive] were chosen, would that mean a large increase in annual assessments? Pres. Gonda replied that historically, assessments have increased *on average* by 5% per year, but in some years there was no increase, which then required large increases later. We need to enter the budget discussion knowing that at least a 5% increase will be required.

After questions and answers and discussion, it was decided that more information is needed. Cortez will look for a qualified consulting engineer capable of providing us with information and recommendations. Pres. Gonda also asked Cortez to get estimates for consulting costs, and then schedule a meeting to present options for Board decision as soon as possible.

- 4. Discussion/action item:** Paving repair at 1205 Lakeside Dr.: This area is the site of past slides, and earth movement continues there. The County has suggested that a permanent fix for the problem would be too costly to be practical. The section has been repaired repeatedly in the past. Both Cortez and the Road Committee now recommend further repair as Lakeside is a critical route for the community. Valley Paving's bid was reviewed. After discussion, a motion to approve Valley Paving's bid of \$7910, including use of Petromat, was seconded and passed with unanimous approval.

- 5. Discussion/update:** 2024 Draft Budget: The draft budget was circulated. Attention was paid to several specific items, such as 610 Road/Culvert Professional Fees, which was increased to begin saving for eventual Redwood Road repair, as it will require engineering.

Pres. Gonda commented that the budget process is starting early to allow for conversation. Historically, we have payroll savings and even when the budget projects a deficit, withdrawal from reserves has not usually been required because of savings elsewhere. Gonda will work with Cortez to set up public meetings to review the budget and answer questions.

There was a suggestion to consider adding a “fudge factor” for tank replacement engineering; to add \$10,000 to water consulting services; and to add an estimate for the cost of a shade structure in the park. Cortez asked that if there are other specific changes or comments, to make them as soon as possible so that a draft can be sent to shareholders before the next meeting.

PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION: The meeting was adjourned to Executive Session at 9:07 p.m.

RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING: The Open Session meeting was reconvened at 9:56 p.m. to report that an action was on two excessive use appeals.

MEETING ADJOURNED: The meeting was adjourned at 9:56 p.m.

Pete Gonda, President

Louise West, Secretary